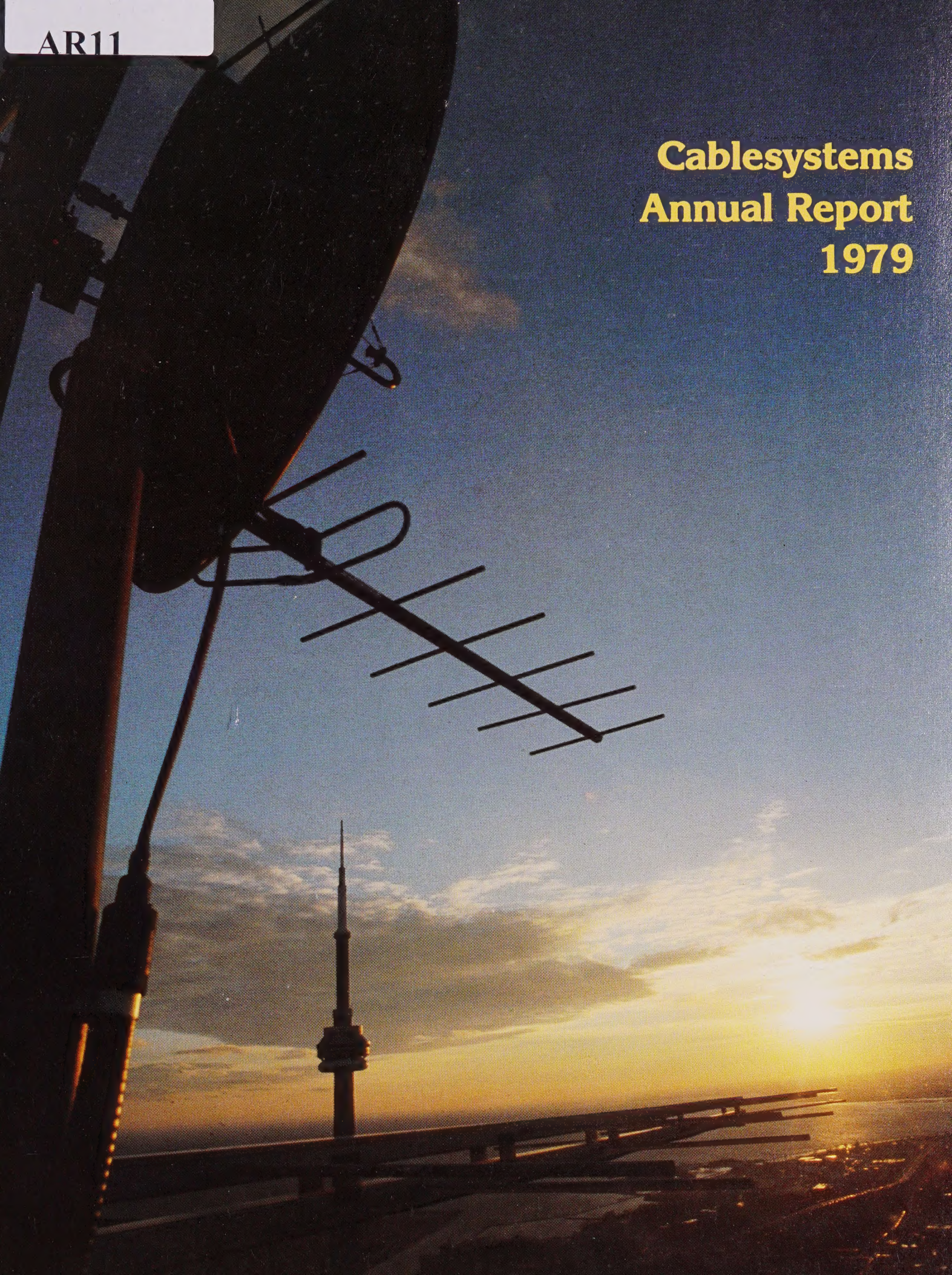


AR11

# **Cablesystems Annual Report 1979**





◀ Cablesystems' electronic highway radiates invisibly from Toronto's First Canadian Place, location of the head-end microwave transmission facilities.

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## **Annual Report 1979**

The Cablesystems philosophy is simple but effective: to meet, fully and squarely, the needs of the communities we serve. Our thrust is to develop cable communication systems that go beyond the provision of multi-channel entertainment to the creation of genuine social, cultural and economic dividends. This purposeful business policy has been refined consistently during the 30 years we have been building and operating cable systems. We stick with it because it works for the company as well as for the community, a factor that has been key to the progressive development and success of Cablesystems in its host cities and towns across North America.

### **Highlights of the year**

(Thousands of Dollars or Per Share)

	1979	1978	Percent Change
<b>For the Period ended August 31</b>			
Revenue from Cable Operations	<b>39,715</b>	35,760	11.1
Earnings from Cable Operations, Investment and other equity income	<b>4,346</b>	5,273	(17.6)
Equity in the Earnings of Famous Players Limited	<b>5,484</b>	4,618	18.8
Total Net Profit (Before Extraordinary Item)	<b>9,830</b>	9,891	(.6)
Per Share	<b>1.20</b>	1.23	(2.4)
Dividends Paid	<b>2,039</b>	1,707	19.4
Per Share	<b>0.250</b>	0.213	17.37
<b>At August 31</b>			
Total Assets	<b>125,800</b>	111,971	12.4
Long-term Debt	<b>14,723</b>	11,461	28.5
Shareholders' Equity	<b>89,626</b>	81,125	10.5
Subscribers on Service	<b>502,633</b>	466,594	7.7
Subscribers on Service (including Rogers Cable TV)	<b>739,365</b>	N/A	



## **The challenges of the times call for consolidation of human, technical and organizational resources so that bold initiatives may be made.**

► Canadian contemporaries: Edward S. (Ted) Rogers, chief executive officer of Canadian Cablesystems, talks with Toronto alderman Susan Fish. Both are important contributors to the city's energy and cultural life.

### **From The Chief Executive Officer**

**T**he seventies saw cable television evolve from humble functional origins to assume a pivotal role in the development of the broadcasting and communications systems. The eighties will see this role expanded as market forces draw the wired city closer. The transformation of the cable industry from passive carrier and modest programmer into a fully fledged retailer of communication services through an electronic highway to the home is fuelled by consumer demand for those services. From the development of mechanisms for strengthening the broadcasting system to the realization of the promise of interactive telecommunications, the challenges that face today's cable communications industry have never been so vital. This is not a challenge that can be met by a fragmented industry with limited entrepreneurial ambitions. The demands of the times call for consolidation of human, technical and organizational resources so that bold initiatives may be made and economies of scale in research and development fully realized.

It is against this background that, in 1979, Canadian Cablesystems Limited and Rogers Cable TV Limited were operationally merged. The blending of strengths has created a new Cablesystems which is more than ever able to lead and innovate in the North American communications environment. The effectiveness and capabilities of the expanded organization are especially significant for the future development of Canadian communications services. The benefits of the new age of communications can be brought to the consumer at the lowest cost only if the forces of competition are allowed to operate reasonably. The ambitions of the telephone industry in broadband communications services are, of course, unquestioned. Yet the long term interests of the consumer never can be realized if the provision of these services is controlled by any single entity. Through consolidation, the Canadian cable communications industry can marshal and deploy its research and development expertise and meet the telephone industry in exploring the multiple new applications of broad-

band technology. This will allow for the creation of a wider range of service options and help stimulate the overall development process.

That Canadian Cablesystems can provide new cable communication service and social dividends in this context must now be beyond question. In 1979 the company advanced its plans for new services and programming development while meeting all existing commitments. Most importantly, the company has established new mechanisms for strengthening the Canadian broadcasting system including "copyright" payments which will ultimately flow funds back into program production, and broadcast repeat channels which create new opportunities for Canadians to view Canadian programs. These are supported by a renewed commitment to work in close cooperation with broadcasters in programming initiatives so that the benefits of cable communications can become integrated into the system.

The enlarged resource base has provided a firm springboard for urban market development in the United States. This in turn has strengthened Cablesystems' capabilities in evolving new institutional service options for the future. The company has shown itself to be responsive to public service needs such as those met by Cablesystems' Deaf Television Resource Centre and Government Services Channel, both of which will be expanded further in 1980. These benefits of consolidation are only the beginning. Cablesystems' commitment to technological advance will continue to provide leadership to the cable communications industry through the eighties.



Edward S. Rogers  
Chief Executive Officer  
Toronto, Ontario  
January 15, 1980







## The Cablesystems-Rogers merger has brought benefits which go beyond size to effective synergies in management.

► Teamwork and management skills are the key to Cablesystems' expanding operations. Officers of the company attending a planning meeting are (left to right): Robert B. Clasen, Vice-President, U.S. Operations; Nick Hamilton-Piercy, Vice-President, Engineering; David Friesen, Vice-President, Canadian Operations; William H. Scarrow, Treasurer; Daphne Evans, Assistant Secretary; Graham W. Savage, Vice-President, Investment Planning and Pat Douey, Director of Programming.

► Blending of young, cable management with operation expertise is reflected by this Cablesystems executive trio (left to right): Phil Lind, Senior Vice-President, Programming and Planning; Colin Watson, President; Robert Francis, Senior Vice-President, Finance.

▼ Growth record for homes passed by cable and subscribers served by Cablesystems and Rogers Cable TV combined.

### Meeting The Challenges of 1979

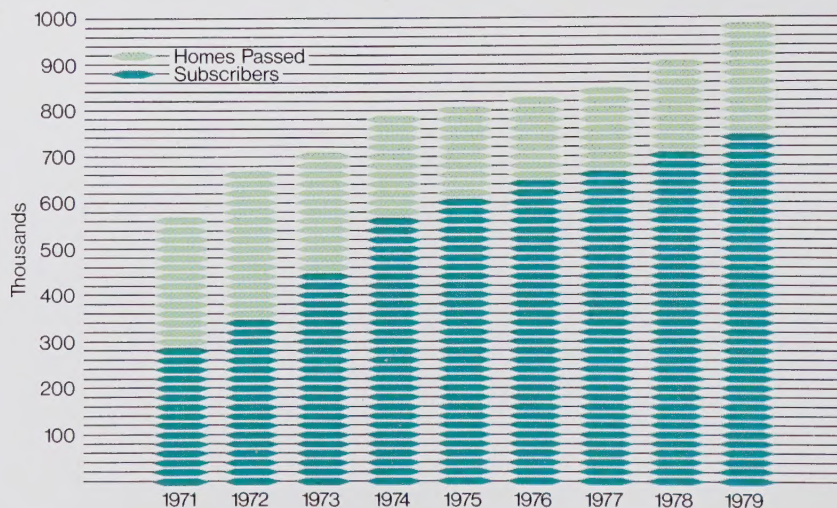
By any standard, 1979 has been a successful year for Canadian Cablesystems. The merger with Rogers Cable TV Limited has created a cable communications force which is now the largest in Canada and one of the largest in North America. With a combined 1979 subscriber base of 739,000 homes passed at 970,000 and homes in franchised areas exceeding one million, the Cablesystems companies have reached a new vantage point in the rapidly evolving cable-telecommunications field. The merger has brought benefits which go beyond size to effective synergies in management. The operating and technical strengths of Cablesystems coupled with the programming strengths of Rogers Cable TV have generated capabilities and effectiveness far beyond what either organization could achieve alone.

These capabilities and this new effectiveness were critical to the company's ability to meet the challenges of 1979. Its expanded technical and creative human resources base has enabled Cablesystems to contribute effectively to broad communications objectives. From effecting the rationalization of cable system boundaries in Toronto to developing improved municipal programming capabilities, Cablesystems in 1979 has been able to respond to the challenge of strengthening the Canadian broadcasting system with practical and timely initiatives. At the same time, the company has been able to maintain its operating margins by

successfully applying for rate increases in many Canadian systems, to offset partially the impact of inflation.

### Strengthening The Management

The complementary nature of Cablesystems and Rogers personnel has been key to the development of a new expanded management team. Significantly, this team has come together effortlessly and new working relationships have been forged easily. The new team continues to reflect what has been a successful tradition at Cablesystems: the blending of young capable management with the operating wisdom and expertise of one of the oldest cable companies in the world. Senior management changes have included the election of John W. Graham, Q.C. as Chairman and Edward S. Rogers as Vice Chairman and Chief Executive Officer. Colin Watson has been promoted from Executive Vice-President to President and Robert Francis and Barry Ross have been respectively appointed Senior Vice-President, Finance and Senior Vice-President, Corporate. Phil Lind has been appointed Senior Vice-President, Programming and Planning and has assumed responsibility for Cablesystems' overall development program.









## **Smaller cable companies, economically unable to undertake their own research and development, have benefited from Cablesystems' leading role**

► Research and development launched by Cablesystems' engineers has brought quality transmission to cable subscribers throughout North America. Here, an electronics specialist, Robert Smith, works in the high-technology world of LSI's and microprocessors.

▼ A Canadian geo-synchronous communications satellite capable of distributing programming services to cable systems across the country.

### **Strengthening The Organization**

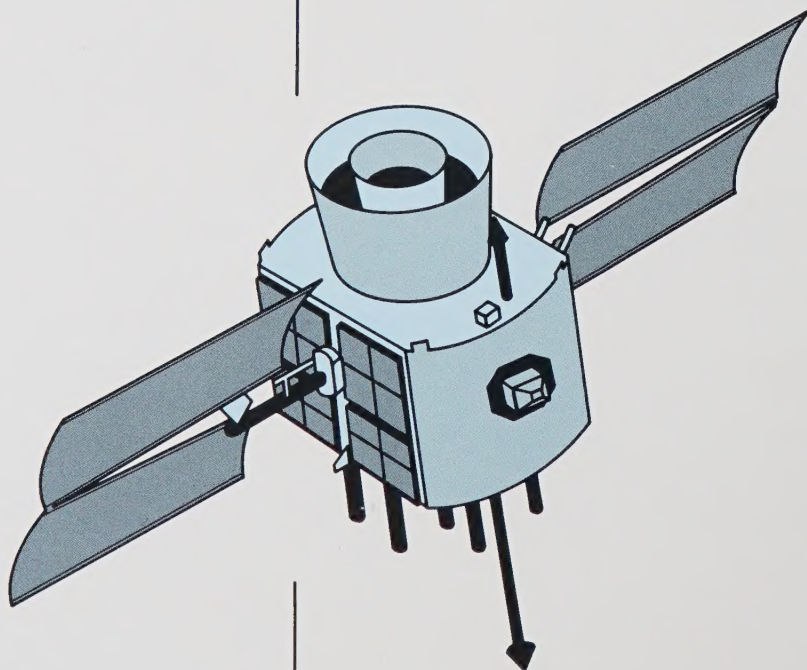
The Cablesystems-Rogers merger has generated significant benefits throughout the organization. The creation of positions at the corporate level for Directors of Programming and Marketing have provided the basis for coordinated planning of these critical functions. Similarly, management of human resources has been re-organized and expanded to accommodate new programs in supervisory training, salary administration and manpower planning. The improvement of staff communications through development of specialized tools and procedures has further enhanced overall human resource management and effectiveness.

Perhaps most significant of all the 1979 developments brought about by the merger has been the creation of a working environment which is productive and conducive to innovation. Enhanced opportunities for employee advancement and development, arising directly from the expansion of activities, have contributed to an enthusiasm at all staff levels. This enthusiasm has been reinforced by improvements in benefits packages and pension plans made possible through the merger, and by the pace of new initiatives in franchising, programming and technical development.

### **Strengthening The Industry**

Events in 1979 have demonstrated the effectiveness of the Cablesystems-Rogers consolidation for the industry as a whole. Cablesystems' commitments to new technology, new services and new programming initiatives have encouraged their development and implementation elsewhere. In particular, smaller cable companies, which are not economically able to undertake their own research and development, have benefited from Cablesystems' leading role. For example, the company's commitment to satellite program distribution, which was instrumental in the creation of the Cable Satellite Network in Canada, has been a major factor in the national distribution of proceedings of the House of Commons and will be equally important in the future delivery of satellite-fed services, including children's programming and pay-TV, to cable systems across Canada. Cablesystems' active role in developing two-way services and new distribution technologies such as fiber optics is another example of industry spin-offs fostered by consolidation. In the programming sphere, Cablesystems' 1979 initiatives in Provincial Parliamentary coverage and programming for the deaf will benefit cable companies across Ontario as Cablesystems makes its programs available to others.

In each of these initiatives Cablesystems works closely with the Canadian Cable Television Association, and contributes significantly to the CCTA's effectiveness in articulating the industry position. Cablesystems is firmly committed to the work carried out both by the CCTA in Canada and the National Cable Television Association in the United States and anticipates a continuing role in supporting and participating in the vital activities of these organizations.









## Cablesystems' experience in building and operating large urban cable systems is proving invaluable in the development of proposals for major U.S. markets

► Servicing Cablesystems' 739,000 customers is a top priority task for company maintenance personnel like Larry Powless. They are equipped with the latest in machinery and equipment, ensuring quality reception and dependability.

▼ North American cable communications systems operated by Canadian Cablesystems.

### Tackling New Markets

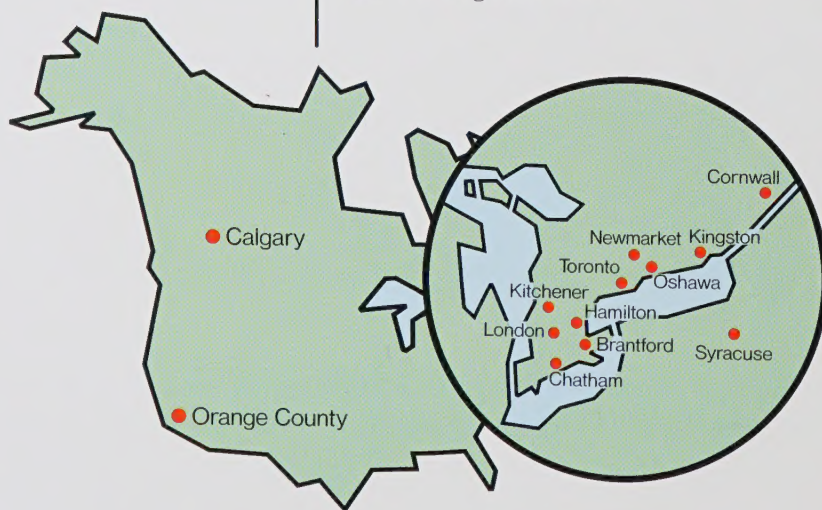
Not the least of the benefits conferred by the creation of a large consolidated company has been the ability to participate in new franchising opportunities in the United States. With the average size of systems owned by the company approaching 50,000 subscribers, Cablesystems' experience in building and operating major urban cable systems is proving invaluable in the development of proposals for major U.S. markets. The fact that in Toronto the company operates the largest cable system in the world demonstrates its capabilities in developing urban cable communications. In 1979 the company successfully applied for a franchise to serve the City of Minneapolis, Minnesota, in competition with major U.S. multiple system operators. Although the award of the franchise was subsequently rescinded by City Council, Cablesystems considers it has a binding contract with the City and is continuing to press its case in the courts.

Cablesystems views its franchising activities in 1979 as the prelude to a sustained initiative, and, in 1980, will be pursuing franchises in several other U.S. markets including Clearwater, Florida; Portland, Oregon; and Erie, Pennsylvania. In addition the company is exploring possibilities for purchasing existing cable interests. The company will also be extending its activities in the Twin Cities area during 1980 by applying for the South West and North West Cable Service Territories and the City of St. Paul, Minnesota. The company will continue to emphasize the participation of local interests in these franchising initiatives.

### Building New Systems

Cablesystems was awarded a franchise for Syracuse, N.Y. in 1978. Construction began in the fall of that year. A commitment had been made to the City to have 83 per cent of the system built within 12 months. This implied beginning work in the winter months when construction and weather conditions were most difficult. As of Fall, 1979, the required section of the system was in place with completion anticipated for early 1980. The total plant mileage will be precisely that estimated in the original franchise application. Approximately 95 per cent of the Syracuse staff have been drawn from the central N.Y. State area and trained locally, including the construction crew and all business office personnel.

As its second U.S. initiative, Cablesystems acquired in 1979 a controlling interest in an unbuilt franchise to serve the communities of Fountain Valley, Westminster, and Huntington Beach, all located in Orange County, California. With a potential of 105,000 homes, this franchise has excellent density and demographic characteristics and will generate a subscriber count projected at 50,000 at maturity. In addition, about a dozen adjacent communities representing a quarter of a million households, are expected to initiate calls for cable service for which Cablesystems plans to compete. The Orange County System is fast becoming a textbook illustration of Cablesystems' ability to rapidly move on its franchise commitments. By effectively deploying its human and technical resource base, Cablesystems has been able to staff the Orange County operation and begin construction of the system within twelve weeks of obtaining its franchise interest.







DO NOT  
ENTER

 cable tv



## Responding to the community is the central thrust of Cablesystems' overall operating philosophy.

► The heart of the company's Metro Toronto system is this master control console, where program technicians monitor the quality and timing of every program.

▼ Selected issues of Front Row Centre, a bi-monthly magazine distributed free to Cablesystems' subscribers.

### Meeting Community Needs

The Cablesystems approach has always been to work closely with the communities it serves. This is a commitment which has generated consistent dividends in relationships with civic and municipal authorities as witnessed by a continued flow of unsolicited letters of appreciation for programming and community support activities. In the area of community liaison, Cablesystems' bi-monthly subscriber magazine, "Front-Row Centre" entered its second year of publication in 1979 with an increasingly enthusiastic readership. During the year the Front Row Centre Publishing Corporation was formed with its own staff of three professionals. Circulation has risen from 160,000 to over three quarters of a million homes in approximately 18 months. Cablesystems is unique in producing a free magazine of this kind, dedicated exclusively to explaining aspects of cable communications to subscribers and users of cable services.

### Extending Community Service

Cablesystems is committed to the principle of extending cable services to households in its licensed communities, and recognizes an obligation to pursue this principle wherever

possible, even in areas that are marginal. In its licensed areas in Canada, Cablesystems has developed a rural expansion program, extending cable service to households in small outlying communities and to areas not required to be served under the terms of the license or by reason of low density. Applications were filed, in 1979, to extend service to 1400 households in 10 communities lying outside Cablesystems' Grand River System, serving the Kitchener-Waterloo region in Ontario, and to rural areas adjacent to the Pine Ridge System in Oshawa and the Hamilton Co-Axial system in Burlington, Ontario. Cablesystems will pursue its rural expansion program in 1980, aware that without such an initiative, many rural and low density population pockets could never obtain the fundamental benefits of cable service. The company is further committed to developing mechanisms for extending broadcasting and communication services to remote areas in Canada, and will contribute ideas and initiatives as the national debate on this issue in Canada unfolds in 1980.

### Increasing Channel Capacity

Developing increased channel capacity to accommodate the growing demand for new subscriber services has been a continuing Cablesystems priority in both existing systems and new-build situations. In its mature markets, an ongoing upgrading process has been underway. In Cornwall, Ontario, Cablesystems has built a dual trunk, dual feeder system providing an operational in-house test-bed for the multiple channel potential of dual cable technology. In planning and building its new franchises, Cablesystems is catering to the demands of service abundance by implementing the latest developments in multiple channel hardware. In the City of Minneapolis, for example, Cablesystems proposed a 41 channel system and in future applications even greater capacity will be developed.









# Cablesystems is committed to developing de-centralized resources for community and access programming.

► This portapak team is racing for a news story — one of many that have made Cablesystems renowned for its coverage of community events.

▼ De-centralized community programming and access facilities in Toronto.

## Expanding Programming Activities

The past year has been one of significant expansion for Cablesystems programming departments. During the year some 10,000 hours of original programming was produced in Cablesystems' facilities. More than 20 per cent was cablecast live. An estimated 13,000 individuals and members of community groups and organizations participated in these productions. Many of them learned to use the company's cameras, studios and other production resources. More than 1,000 volunteers from Cablesystems' communities were trained in the creative skills of program production and subsequently became involved with Cablesystems staff programmers in supporting "hands on" programming by other members of their communities. Programs were produced in 15 different languages and on subject themes as varied as the communities which created them.

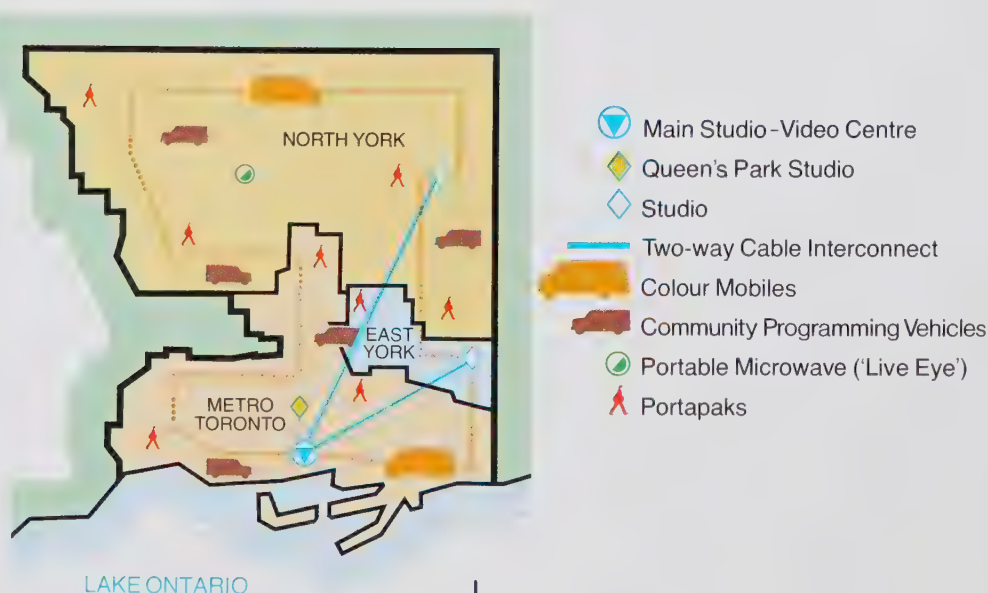
## Enhancing Access Technology

To facilitate and enhance use of programming resources, Cablesystems is committed to a continuing process of production resource development with special emphasis on decentralized and remote production facilities. All major markets now have mobile production units and portable videotaping equipment, in addition to full-color studios. This has allowed for a substantial volume of programming to be produced on location. A new tool in the programmer's arsenal is being developed by Cablesystems to further

enhance the remote origination capability. Programmers in the Toronto area are being equipped with portable microwave "live-eye" equipment so that productions can be originated and distributed live from any point in the community. This new initiative, developed as a joint venture with CITY-TV, a local broadcaster, will add further flexibility and potential to community and access programming. The "live-eye" capability will complement an existing institutional trunk system in Toronto which allows for programming to be originated live from virtually any point in the downtown area.

## Programming For The Disadvantaged

Cablesystems' commitment to programming for disadvantaged groups was strongly reaffirmed in 1979. This was the first year of full time operations for Cablesystems' Deaf Television Resource Centre, an institution which produces and provides special programming for the deaf and hearing-impaired. The Canadian Hearing Society notes that hearing impairment is the single most prevalent chronic physical disability in North America and estimates that 10 per cent of the population has a hearing impairment problem. The Centre produces original captioned and cameo-sign-language programming for the hearing-impaired and also uses sign-language teaching programs produced by QCTV Limited, a cable company serving Edmonton, Alberta. The Centre makes its programming available to communities served by Cablesystems and increasingly to areas served by other cable operators in North America. Consistent with Cablesystems' overall programming philosophy, actual production of programs is undertaken by deaf or hard-of-hearing individuals who are trained at the Centre in techniques of video production. Other initiatives in the area of programming for the disadvantaged include coverage of the Olympics for the Disabled and a commitment in U.S. markets to develop a "Talking Books" service for blind members of the community.









# Through its own efforts, and through co-operative industry initiatives, Cablesystems actively supports development of cable communications technology

► In Syracuse, N.Y., District Chief of Fire Henry Boynton checks Cablesystems' computer controlled smoke detection service which is available to area subscribers.

▼ Two-way services that can be provided by Cablesystems' technology.

## Pioneering Cable Technology

Cablesystems is an active member of the Cable Telecommunications Research Institute, which is chaired by Edwin R. Jarman, founder of the company's first operating system in London, Ontario. Cablesystems Engineering, a division of the company, provides the largest in-house cable-telecommunication developmental engineering capability in North America. Among other projects in 1979, the division was active in the development of fiber optic transmission and has been managing field trials of this technology for the Broadband Communications Network, which is a consortium of Canadian cable operators and equipment manufacturers. Cablesystems has constructed fiber optic supertrunk in parallel with co-axial cable to compare performance under challenging environmental conditions.

The marriage of cable and computer technologies is key to many of the new developments in cable communication services. Cablesystems' on-line data processing subsidiary, Cableshare, is working at the leading edge of this field. During 1979 Cableshare was active in the development of hardware and software which allows computers to "talk" to packet switching networks. This permits distance-insensitive communication with computer data bases and provides an inexpensive means of accessing data

and computing power from terminals located anywhere in the country. Cableshare's revenues doubled during the year as its products and services were exported to Germany, Belgium and the United States.




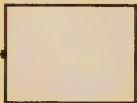

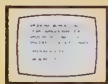
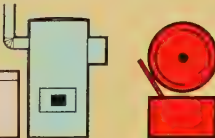
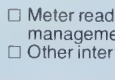
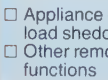
Cableshare has also led the way in North America in developing software for the cable industry, including customized programs for storing and retrieving subscriber and account information. In 1979 Cableshare's software was key to the success of Cablesystems "new build" in Syracuse, New York. The ability to tailor a software package specifically for the Syracuse market enabled Cablesystems to streamline the handling of new customers as each section of the City was turned on.

## Implementing Two-Way Services

Cablesystems' recently designed systems like Syracuse, New York, incorporate a technology that can deliver a range of two-way services to cable subscribers economically and cost-effectively. Cablesystems' two-way technology makes possible services as diverse as emergency alarm and notification for fire, medical or security applications, opinion polling, channel monitoring, remote sensing and appliance control, per-program pay-TV, and a variety of interactive educational or instructional applications. Technical features of the system include customized subscriber terminals, a central computer facility, code operated switches, and two forms of status monitoring which provide important feedback on the system operations and performance.

The past year saw a major leap forward in development of Cablesystems' two-way services, including the implementation of a simulated system network in London, Ontario and the completion of phasing stages for implementation in Syracuse. In Syracuse, Cablesystems will provide fire and emergency alert services for \$3.95 per month. City authorities are working closely with Cablesystems in the development of these unique and inexpensive services.

### Two-Way Services

Basic	<div></div> <div>Smoke detectorMedic alertPanic button</div>			
Optional	<div></div> <div>KeypadChannel ConverterDomestic and Commercial Appliance Monitoring</div> <div><div><input type="checkbox"/> Interactive TV<input type="checkbox"/> TV games<input type="checkbox"/> Marketing research<input type="checkbox"/> Information retrieval<input type="checkbox"/> In-home education<input type="checkbox"/> Teleshopping</div><div><input type="checkbox"/> Pay per view TV<input type="checkbox"/> Audience polling<input type="checkbox"/> Remote control of TV channels</div><div><input type="checkbox"/> Commercial deep-freeze monitoring<input type="checkbox"/> Central heating and cooling monitoring<input type="checkbox"/> General appliance monitoring (sump pumps, sprinklers, etc.)</div></div>	<div></div> <div>Intrusion Alarm Service</div> <div><input type="checkbox"/> Commercial<input type="checkbox"/> Domestic</div>		
Potential	<div></div> <div>Command ReceiverSpecial Interfaces</div> <div><div><input type="checkbox"/> Appliance control and load shedding<input type="checkbox"/> Other remote control functions</div><div><input type="checkbox"/> Meter reading (energy management)<input type="checkbox"/> Other interfaces</div></div>			







## A key element in Cablesystems' programming and technical operations is the exploration of new service opportunities

► National Hockey League action will be provided by Cablesystems' coverage of Minnesota North Stars games.

▼ Representation of Cablesystems' Multichannel Microwave Interconnect between its Ontario communities.

### Exploring Future Services

In 1979 Cablesystems Engineering pursued research into energy management as a potentially significant application of cable technology. By adapting its two-way system for remote meter reading, for example, Cablesystems can provide utility companies with a means of measuring residential or commercial electricity on a time-of-day basis. By pricing energy to reflect its cost in terms of peak period usage, utilities can provide electricity users with a direct incentive and procedure for conserving resources. Similarly, in markets where water conservation is important, Cablesystems is exploring the potential for remote reading of water meters.

Another future service initiative advanced in 1979 in Cablesystems' London, Ontario system, provided for two-way subscriber opinion polling. Using specially developed key pad-terminal equipment, subscribers were enabled to respond to questions and issues connected with several controversial local topics. The responses were computed and displayed within a few seconds, providing an effective overview of community opinion. Cablesystems has agreed to conduct for the CBC Network a subscriber-response poll in London during the 1980 Federal Election to demonstrate the potential of this kind of interactive service.

### Innovating With Special Programming Channels

Cable programming in the coming decade will mean the provision of many specialized, minority audience programming services, available on a widely expanded channel basis. Several new locally originated program services have been developed for Cablesystems markets during the year. These include a new non-commercial childrens' channel which uses carefully chosen top-quality program material from a variety of sources. Other program initiatives include a French language service which will provide cultural and language learning opportunities for subscribers. In Cablesystems' U.S. markets, several new services are being developed, including professional hockey coverage, featuring the Minnesota North Stars, and "Golden Movies" channels which will present collections of classic movies.

### Creating A Regional Cable Communication System Interconnect

A major development in 1979 was the design and preparation of multi-service microwave links between Cablesystems' Ontario communities to create a regional cable communication system interconnect. This innovative development lends itself to a variety of community service applications and highlights Cablesystems' capability to undertake initiatives of industry-wide significance. The interconnect is proposed to carry Cablesystems' program services on four channels including a government service channel incorporating coverage of the House of Commons and the provincial legislature, a childrens' channel, a multicultural channel and an educational and instructional channel. This initiative will allow for the distribution of these services to eight separate Cablesystems markets, including smaller markets which could not by themselves justify their importation. The services will also be offered to adjoining small systems in each of the areas served. The concept of regional interconnection has important additional benefits both in terms of enhancing regional identity and providing a highway for the delivery of area-based community support services.









## Beyond research and development, Cablesystems emphasizes practical implementation of state-of-the-art technology

► Major investment dealers are subscribers to Reuters financial service, which can provide instant market quotations through the Cablesystems network.

▼ Multi-channel local distribution system serving Cablesystems' communities in the Kitchener-Waterloo area of Ontario.

### Developing More Efficient Local Distribution Systems

In local distribution developments, 1979 saw the expansion of a multi-channel FML microwave system in the Kitchener-Waterloo market in Ontario. This system provides improved signal quality and services to a highly spread-out franchise area comprising four different cities and 11 rural communities. With a complex microwave path exceeding 70 miles in length, this approach allows for the linkage of several separate cable systems to a common head-end, while permitting separate injection of local programming catering to the specific needs of each community. Three new receive-sites were added to this system in 1979, bringing the project close to completion.

Additional receive-points were also added this year to Cablesystems' multi-channel AML microwave system serving the Greater Toronto area which distributes programming throughout a 17-mile radius. The Toronto system incorporates a sophisticated local programming network whereby up to six separate local programming signals can be simultaneously transmitted to different parts of the licensed area. This allows for selective transmission of programs catering to individual municipal areas within the metropolitan area. The ability to "narrowcast" programming for community purposes in this way is a key rationale for the deployment of complex local distribution systems in Cablesystems' urban markets.

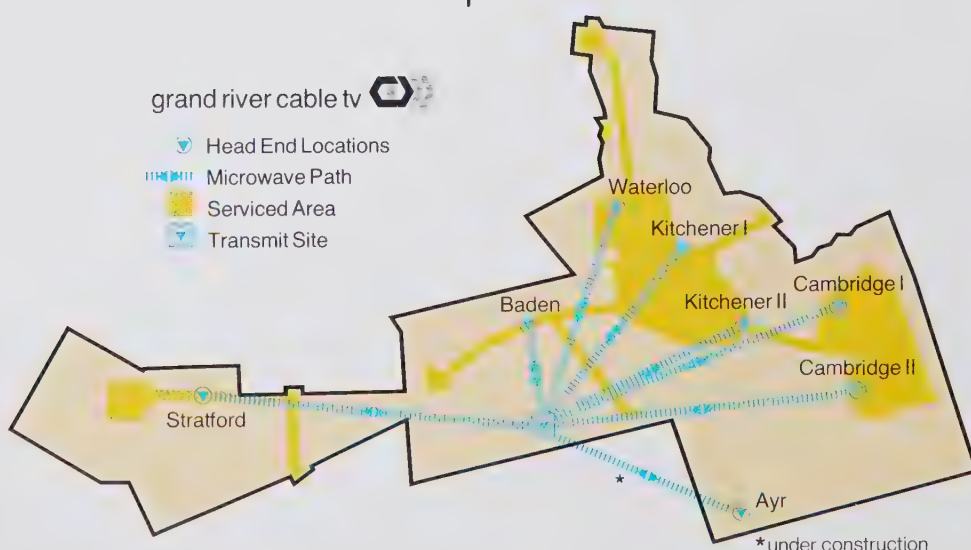
### Developing Videotex and Information Retrieval Services

Videotex services have the potential to turn the home television receiver into an information retrieval device or video encyclopaedia with access to a huge variety of data services. Cablesystems is directly involved in the development of these services, both through research activities and through direct implementation of commercial information-retrieval services. In 1979, under a Government of Canada contract, Cablesystems Engineering was involved in the design and development of Telidon, a network-based interactive system which is at the leading edge of videotex service technology. Cablesystems Engineering will be managing a field-trial of hardware developed for the system early in 1980. In other future developments, Cablesystems will be offering the Reuters frame-grabbing information retrieval service for institutional customers in Toronto's financial community. This service provides up-to-the-minute financial and economic news in a catalogued, viewer-accessed format which simulates interactive on-line information retrieval.

### Advancing Pay-TV

In 1979, the U.S. pay-TV market surpassed the five million subscriber level, exceeding all previous industry projections in an unprecedented growth explosion. Cablesystems is proud to have been part of this phenomenon and is convinced it will become an increasingly important component of the cable service industry, both in the U.S. and in Canada. In 1980, Cablesystems' pay-TV experience and marketing skills will be vital to the development of its new Orange County system. With 16 or more available off-air broadcast signals, the Orange County system will be heavily pay-TV oriented, catering to the voracious demand for movies and special entertainment that characterizes the area.

In Canada, Cablesystems is actively involved in the development of pay-TV through Pay Television Network, a consortium of cable operators. Events in 1979 indicate that Canada is on the verge of introducing Pay-TV. Cablesystems already operates an extensive hotel pay TV service in Toronto which is the largest service of its kind in North America.









# The development of institutional communications has far-reaching significance for today's society.

► Reuben Baetz, Ontario's Minister of Culture and Recreation, is in the hot seat as Cablesystems' producer Peggy Stevenson prepares for taping a program in the media studio at the Provincial Legislature.

▼ Schematic representation of an institutional and a subscriber network, interconnected at a central control point.

## Building Institutional Communications

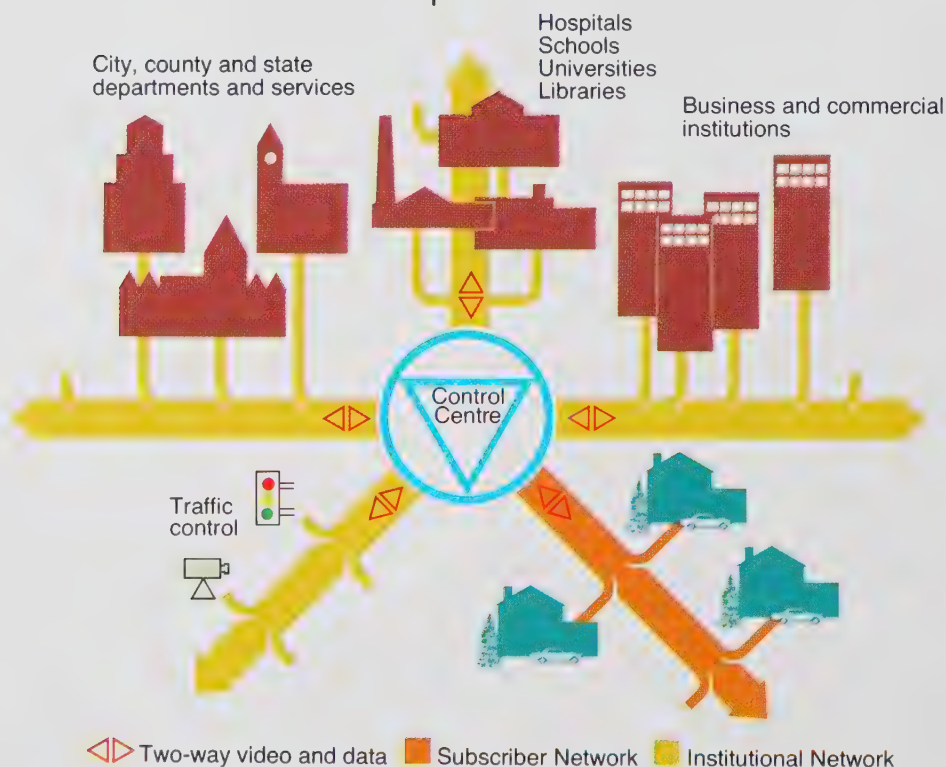
In 1979 Cablesystems was active in seeking out cable-communications applications in education, social services, government and industry which go beyond the provision of television programming to the creation of specialized institutional communications services. In its U.S. franchising, for example, Cablesystems is proposing the creation of special networks which permit a variety of one and two-way services. Users such as city departments, schools, arts and cultural institutions, libraries, hospitals and businesses have access to these networks. This makes possible services such as emergency message dissemination, interactive educational programming from schools and universities, program origination from multiple locations, telediagnostic conferences between hospitals and a variety of business communication services.

In Toronto, Cablesystems has built an institutional communications system comprising five different institutional trunks interconnecting at a master switching center. Three downtown trunks and two trunks serving the northeastern and north-western parts of the greater Toronto area provide a total capability of 150 video channels, each of which can be used in an upstream or downstream mode.

## Developing Institutional Services

Cablesystems' commitment to institutional communications extends beyond the provision of communication paths and systems to developing and facilitating actual services. In education and in government services, Cablesystems' tenacity in seeking out potential services and making them happen has been key to the leadership position the company has achieved. In Toronto, 1979 saw the company active in extending post-secondary learning opportunities through telecourses sponsored by the North York Board of Education and by community colleges. In other Cablesystems markets, local universities and colleges are providing "Universities of the Air" to cable subscribers via dedicated cable links. In the government services field, Cablesystems has established a permanent facility at the Provincial Legislature for the production of special programs with plans for significant expansion in 1980. Members can make reports, conduct interviews or host phone-in shows allowing constituents to air their questions and concerns in dedicated programming that is distributed to cable systems serving the constituency. Cablesystems plans to extend the service to coverage of committee meetings, subject to the approval of those concerned. Proposed microwave distribution will allow these services to be delivered live to distant communities in 1980.

Cablesystems is acutely conscious of the need to develop commercial institutional services, so that institutional networks and services proposed in new markets do not have to be subsidized by cable subscribers. In Toronto, for example, Cablesystems' institutional network can cover activities at convention centers or other locations and transport them live, or delayed, all over the city. Convention programming, for example, can be simultaneously distributed to delegates in downtown hotels, providing great flexibility for convention planners and increasing the convention handling potential of the City.









## A stream of strong product has enabled Famous Players to actively participate in the resurgence of theatre-going.

► Famous Players' wholly-owned Paramount-Opera Cinema in Paris, France was recently converted to six screens. "Murder by Decree", the film displayed prominently on the marquee, is a Canadian production.

▼ Selected major movies distributed by Famous Players in recent months.

### Famous Players

Cablesystems' 49 per cent ownership position in Famous Players Limited, Canada's largest motion picture exhibitor, was well served in 1979, a year in which Canadian theatre attendance jumped by 14 per cent to over 34 million admissions. A stream of strong product enabled the company to actively participate in the resurgence of theatre-going which has characterized recent years. Among major films of the year were "Heaven Can Wait", "Superman", "Grease", "Every Which Way But Loose", "Revenge of the Pink Panther" and "Foul Play" of which the top five contributed almost 30 per cent of total admission revenue, compared with 22 per cent in 1978. The company has achieved continued strong performance in the present year with films like "Rocky II", "Moonraker" and the Canadian production "Meatballs", and expects equally strong results from current and future releases such as "Apocalypse Now" and "Star Trek".

A continuing commitment to assist the production of Canadian films was made in 1979, with interim financing extended to several productions in association with the Canadian Film Development Corporation. Equity participation in French language productions was also undertaken by Famous Players in contribution to the development of the Quebec

film industry. Among English language titles that have been partially funded by Famous Players are "In Praise of Older Women", "Murder by Decree", "Nothing Personal", "Surfacing" and "Meatballs". The dramatic increase in the volume and production values of Canadian films during the year demonstrates the new effectiveness of Canadian film producers which may significantly and beneficially impact the industry in the coming years.

In other developments 1979 marked the opening of Famous Players' Imax theatre at Pyramid Place located in Niagara Falls. Pyramid Place is an \$8 million shopping and entertainment complex and a joint venture of Famous Players and Canboro Investments Ltd. The Imax Theatre has the largest screen in Canada, being over 6 stories high and 85 feet wide, and has been designed for six-track stereo sound.

Famous Players' theatre interests in France progressed in 1979 with increased admission revenues prompted by rises in both attendance and admission prices. During the year Famous' wholly-owned Paramount-Opera Cinema, located in Paris, was converted to six screens. In other joint venture interests, 1979 saw construction completed or underway on over 50 per cent of the land area of the Skyway Business Park in Toronto. The Park is a totally planned and coordinated development of some 50 acres of office buildings, first class industrial buildings, restaurants and a hotel. Cadillac Fairview Corporation Limited is Famous' partner in this development which now comprises several complete, architecturally-integrated buildings.



### Famous Players Limited Selected Statistics

	1976	1977	1978	1979
Theatre attendance (millions)	29.4	27.7	29.8	34.1
Admission revenue per patron	2.65	2.79	2.88	2.88
Number of Theatres and drive-ins*	183	179	177	175
Number of screens*	280	307	307	309

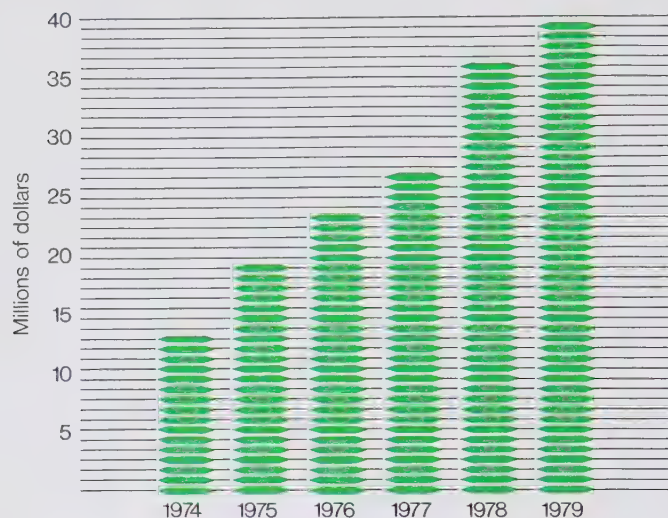
\*Consolidated only.



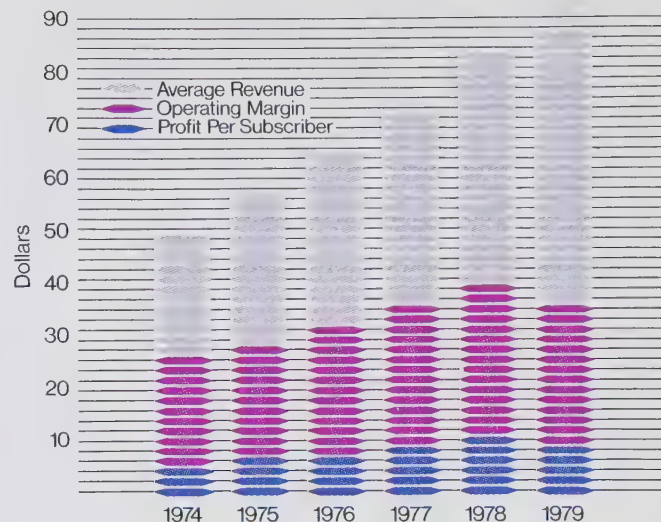




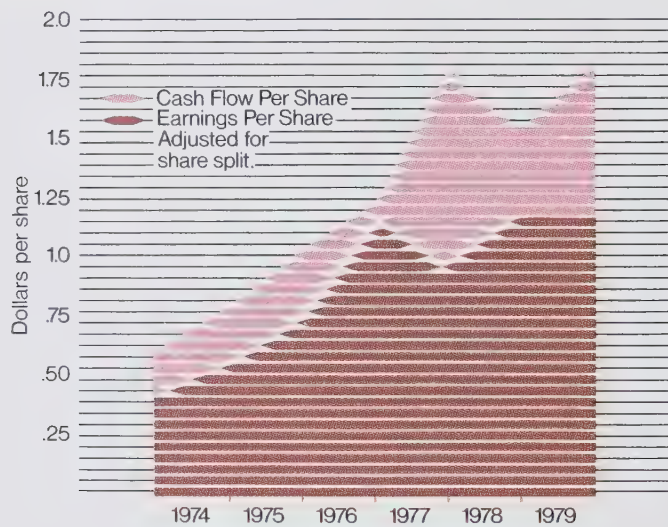
## Total Revenue



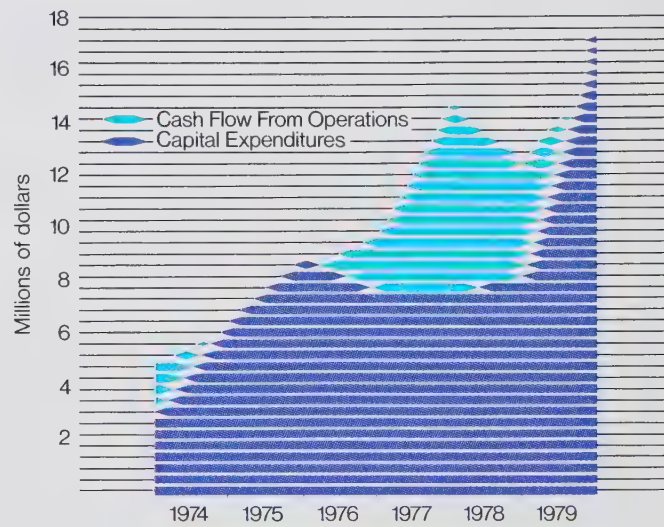
## Average Revenue, Operating Margin And Net Profit Per Subscriber



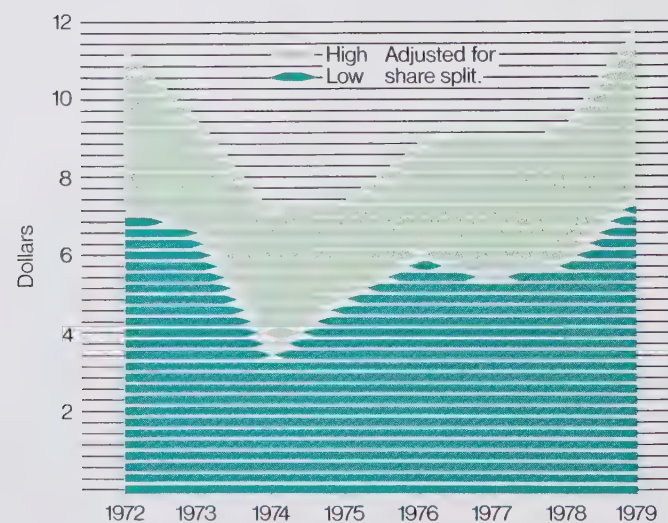
## Earnings And Cash Flow Per Share



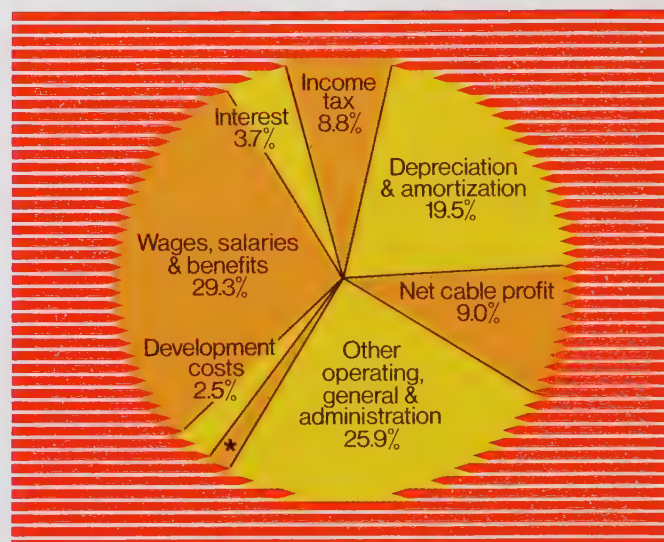
## Cash Flow And Capital Expenditures



## Share Price



## How Cable Revenue Is Spent



\* One time expenses associated with change of control 1.4%

Total Cable Revenue \$39,715,000



**Subscriber Growth**

Subscribers on service increased by 36,000 to 503,000, a growth of 7.7%. This was achieved by a growth of 26,000 in Canada (the same growth as achieved in the prior year) and by the connection of 10,000 subscribers in Syracuse, New York. The Canadian increase was achieved by an increase in households wired, which accounted for 12,000 new subscribers and an increase in the Canadian penetration rate which accounted for 14,000 new subscribers. The company's equity in subscribers rose from 456,000 to 488,000 (481,000 excluding Syracuse).

All Canadian systems reported a net gain in subscribers with the largest unit increases coming from Grand River, Calgary and Metro Cable TV (now Rogers Cable TV) which accounted for over 60% of the 26,000 increase.

At year end, households passed rose to 664,000 and the penetration rate stayed constant at 75.8%. Excluding Syracuse, the penetration rate increased from 75.8% in 1978 to 77.9% in 1979.

The number of rental converters increased during the year to 69,000 (60,000 excluding Syracuse) from 57,000 a year earlier. During the year, 6,400 converters were sold.

**Subscriber Rates**

Basic cable rate increases of 50¢ per month were approved as requested and implemented for six cable systems during the year. One of the systems received an additional 50¢ per month rate increase after the year end. These rate increases affected a total of 187,000 subscribers. In addition to this, approvals were received and implemented for installation fee increases in five cable systems during the year and one cable system after the end of the year. Decisions are pending and expected shortly on rate increases for four cable systems (amounting to 50¢ per month for three and 25¢ per month for one) representing 440,000 subscribers. The latter includes the Rogers system, purchased September 1, 1979.

**Revenue**

Cable revenue increased by 11% to \$39.7 million from 1978 with most of the increase attributable to Canadian cable operations. The Syracuse sys-

tem did not contribute significantly since it was under construction during the year.

The 11% growth is attributable to subscriber increases of 6% and the remainder to rate increases. Average revenue per subscriber (including converter revenue) increased from \$82.13 in 1978 to \$85.80 in 1979.

No revenue from the Rogers cable TV and teletheatre businesses, purchased effective September 1, 1979, is included in the 1979 results.

**Operating Costs And Margins**

Operating costs increased by 27.6% from the prior year. Contributing to this were U.S. development costs and one-time expenses in connection with the transfer of control of the company totalling approximately \$1.54 million. The remainder was due to inflation and increased volume of business. The operating margins decreased by \$1.13 million to \$16.2 million, a decrease per subscriber to \$35.10 from \$39.10 a year earlier. Excluding the development costs and one time expenses, the operating margins per subscriber decreased slightly to \$38.43 in 1979.

**Equity Income**

Equity income increased to \$287,000, a 37% increase over the prior year. The increase was mainly attributable to Cablesare contributing approximately \$41,000 as compared to a \$45,000 loss in the prior year. The earnings of Kingston decreased slightly.

**Net Profit**

Earnings from cable operations and investment income decreased to \$4.80 million from \$5.46 million a year earlier. The company's share of net profits from Famous Players Limited (49% owned) increased 19% from \$4.62 million to \$5.48 million. The investment in Tel-Pro Entertainment was written off, resulting in a charge of \$.46 million (net of available tax benefits) reducing net profit to \$9.83 million or \$1.20 per share as compared to \$9.89 million or \$1.23 per share a year earlier. There were no extraordinary items in the current year.



#### **Fourth Quarter Earnings**

Fourth quarter earnings including Famous Players were \$1.3 million as compared to \$1.5 million a year earlier. Many factors affected fourth quarter earnings including U.S. development costs which occurred mainly in the fourth quarter, and research and development costs including the Teletext information retrieval experiment in our Grand River System.

#### **Cash Flow From Operations**

Cash flow from operations increased by 18% to \$14.8 million, attributable to increased dividends from Famous Players Limited and an increase in the charge for depreciation and amortization.

#### **Capital Expenditures**

Capital expenditures amounted to \$17 million as compared to \$8.1 million a year earlier. This \$8.9 million increase was caused mainly by the construction of the company's Syracuse system. This accounted for \$8.4 million of the increase.

Major projects included a network project (just recently completed) linking the company's cable systems in London, Kitchener, Hamilton, Burlington, Brantford, Brampton, Newmarket, Toronto and Oshawa.

#### **Balance Sheet**

Total assets rose to \$126 million from \$112 million a year earlier. Current assets increased \$2.9 million caused by an increase in cash and marketable securities of \$1.1 million, an increase in accounts receivable and other current assets of \$1 million with the remainder from deferred taxes. The company's investment in Famous Players Limited, accounted for on an equity basis, rose \$3.5 million while other investments decreased \$1.4 million due mainly to the reclassification of the investment in Tele-Capital to current assets.

Long term debt increased by \$3.3 million to \$14.7 million, primarily due to financing for Syracuse Cablesystems.

The company's net long term debt (net of cash and marketable securities on hand) was \$2.5 million at year end.

Shareholders' equity increased 10.5% to \$89.6 million producing a debt to total capital ratio of 14%.

#### **Return On Capital**

The company attained an after tax return of 11.5% as compared to 12.9% a year earlier on earnings before extraordinary items. Excluding Famous Players, the comparable figure is 8.8% (11.9% in 1978).

#### **Dividends**

The quarterly dividend continued at the rate of 6¼¢ per share (after retro-active adjustment for the share reorganization), the level reached in the third quarter of 1978.

#### **Share Capital**

Two important changes occurred in the company's capital structure during the year. Firstly, a transfer of \$15,169,000 of 1971 capital surplus on hand was made to the paid up capital from retained earnings in December, 1978. Secondly, the share structure was reorganized in June, 1979 such that each old Class A and Class B share was divided and changed into two new Class A shares. Each new Class A share is voting and convertible on a share for share basis up to December 31, 1979 (which date was extended to December 31, 1980 by approval at a shareholders' meeting December 21, 1979) into non-voting new Class B shares. The Class B shares are entitled to receive dividends, if declared by the board of directors, at the rate of 35¢ per year in priority to dividends on the Class A shares. After 35¢ is paid on the B, the Class A shares are entitled to receive dividends, if declared by the board of directors, up to 35¢ per year. The Class A and Class B shares participate equally in dividends above the level of 35¢ per year. For the 1980 year, the company intends to pay a dividend of 25¢ per A share and 35¢ per B share.

#### **Share Purchase Warrants**

Share purchase warrants entitling the bearers to purchase 1,237,984 New Class A shares on or before December 31, 1979 were outstanding at August 31, 1979. Subsequent to the year end, warrants were exercised before expiry for over 1,100,000 new Class A shares resulting in a cash inflow and increase in shareholders' equity of \$13.6 million.



# Statistical Review

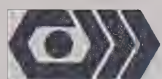
	1972	1973	1974	1975	1976	1977	1978	1979
<b>Financial (\$000)</b>								
Earnings from cable operations, investment and other equity income (after tax)	\$ 1,446	\$ 1,873	\$ 1,866	\$ 2,507	\$ 3,111	\$ 4,156	\$ 5,273	\$ 4,346
Equity in earnings of Famous Players Limited								
— Theatres and rental properties	1,488	742	1,296	1,933	2,300	853	2,333	4,791
— Real estate sales	—	885	929	1,489	4,004	2,723	2,285	693
Net Earnings (before extraordinary items)	\$ 2,934	\$ 3,500	\$ 4,091	\$ 5,929	\$ 9,415	\$ 7,732	\$ 9,891	\$ 9,830
Cash flow from operations	3,878	4,735	6,285	8,410	9,675	14,468	12,556	14,833
Capital expenditures	2,736*	2,852*	6,427*	8,835	7,656	7,392	8,085	17,030
Current assets	3,083	2,231	3,108	2,195	9,379	7,819	13,575	16,448
Investments	32,172	31,937	28,065	28,323	33,419	34,227	37,545	39,197
Net fixed assets	10,185	11,215	19,453	24,175	26,716	33,388	35,457	44,913
Goodwill	9,342	9,344	19,006	19,006	19,006	24,791	25,394	25,242
Total assets	\$54,782	\$54,727	\$69,632	\$73,699	\$88,520	\$100,225	\$111,971	\$125,800
Current liabilities	2,636	2,970	5,328	5,526	8,113	9,880	12,784	13,957
Long-term debt and bank loans	5,308	2,013	9,671	8,457	12,036	12,481	11,461	14,723
Deferred income taxes	943	1,354	2,089	2,808	3,242	6,188	6,381	6,613
Minority interest	—	—	—	—	—	—	220	881
Shareholders' Equity	45,895	48,390	52,544	56,908	65,129	71,676	81,125	89,626
Total liabilities and equity	\$54,782	\$54,727	\$69,632	\$73,699	\$88,520	\$100,225	\$111,971	\$125,800
Average number of shares outstanding★	7,478	7,830	7,838	7,940	7,972	7,986	8,030	8,144
<b>Per Share★</b>								
Net earnings before extraordinary items	\$ .39	\$ .45	\$ .52	\$ .75	\$ 1.18	\$ .97	\$ 1.23	\$ 1.20
Cash flow from operations	.52	.61	.80	1.06	1.22	1.81	1.57	1.82
Dividends	.14	.14	.14	.155	.17	.18	.215	.25
Shareholders' equity	6.14	6.18	6.71	7.17	8.17	8.98	10.10	11.01
Share price—high‡	11.63	9.75	9.38	7.50	9.07	7.50	9.50	14.25
—low‡	7.25	6.75	3.82	5.00	6.07	5.50	6.00	8.50
<b>Subscriber Data</b>								
Total subscribers at year end	256,000	309,000	376,000	409,000	431,000	442,000	467,000	503,000
Households passed by cable	462,000	486,000	534,000	562,000	578,000	593,000	616,000	664,000
Penetration	55.4%	63.7%	70.4%	72.7%	74.6%	74.4%	75.8%	75.8%
Canadian Cablesystems' equity in total subscribers	194,000	230,000	337,000	358,000	374,000	428,000	456,000	488,000

\*Capital expenditures are those incurred by wholly owned subsidiaries from date of acquisition and therefore exclude expenditures by the London, Pine Ridge and Jarmain systems prior to January 31, 1974.

‡Calendar Years

★Adjusted retroactively for share reorganization





# **Consolidated Statement of Earnings**

## **Revenue**

Cable services  
Rental and sale of converters

**1979**      **1978**  
**(\$000)**      **(\$000)**

**35,856**      32,330  
**3,859**      3,430  
**39,715**      35,760

## **Expenses**

Operating, general and administration  
Depreciation and amortization  
Interest on long-term debt and  
bank loans (Note 6)

**23,469**      18,386  
**7,727**      6,916  
**1,463**      1,436  
**32,659**      26,738

**7,056**      9,022

Equity in earnings of associated cable companies  
before income taxes

**287**      210

Other income

**827**      441

Minority interest in loss of Syracuse Cablesystems

**49**      234

**Earnings from cable operations before income taxes**

**8,219**      9,907

Investment income

**1,098**      760

**9,317**      10,667

## **Income taxes (Note 8)**

Current  
Deferred

**4,897**      4,966  
**(384)**      243

**4,513**      5,209

Earnings from cable operations and  
investment income

**4,804**      5,458

Equity in earnings of Famous Players Limited

**5,484**      4,618

Provision for losses of Tel-Pro Entertainments Inc.

(net of a recovery in 1979 of current taxes of \$106  
and deferred income taxes of \$170; 1978 — \$Nil)

**(458)**      (185)

**Earnings before extraordinary item**

**9,830**      9,891

Gain on sale of shares of investment

**—**      729

**Net earnings for the year**

**9,830**      10,620

Basic earnings per share (Notes 2 and 9)

Before extraordinary item

**\$ 1.20**      \$ 1.23

For the year

**\$ 1.20**      \$ 1.32

Fully diluted earnings per share (Notes 2 and 9)

Before extraordinary item

**\$ 1.13**      \$ 1.14

For the year

**\$ 1.13**      \$ 1.21



# Consolidated Statement of Changes in Financial Position

	Year Ended August 31	
	1979	1978
	(\$000)	(\$000)
<b>Sources of funds</b>		
Operations —		
Net earnings before extraordinary item	9,830	9,891
Items not affecting current funds —		
Depreciation and amortization	7,727	6,916
Deferred income taxes (non current)	232	148
Equity in earnings of Famous Players Limited and associated companies	(4,940)	(4,560)
Dividends received from Famous Players Limited and associated companies	2,033	395
Minority interest in loss of Syracuse Cablesystems	(49)	(234)
	<u>14,833</u>	<u>12,556</u>
Gain on sale of investment	—	729
Reduction in long-term notes receivable	441	—
Issue of shares (Note 7)	710	536
Minority interest's investment in Syracuse Cablesystems	710	454
Return of capital from associated company	100	50
Increase in long-term debt	3,982	—
Transfer of investment to current assets (Note 11)	<u>1,538</u>	<u>—</u>
	<u>22,314</u>	<u>14,325</u>
<b>Use of funds</b>		
Additions to fixed assets (net)	17,030	8,085
Reduction of long-term debt and bank loans	720	1,070
Dividends paid and payable	2,039	1,707
Increase in other long-term assets	206	—
Investment in Tel-Pro Entertainments Inc.	619	300
Net current liabilities of Chatham Cable TV Limited	—	75
Increase in long-term notes receivable	<u>—</u>	<u>236</u>
	<u>20,614</u>	<u>11,473</u>
Increase in working capital for the year	1,700	2,852
Working capital (deficiency) at beginning of year	<u>791</u>	<u>(2,061)</u>
Working capital at end of year	<u>2,491</u>	<u>791</u>





# Consolidated Balance Sheet

## ASSETS

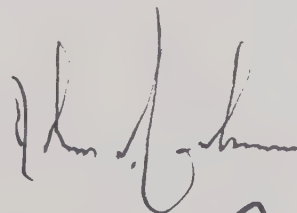
	August 31	
	1979	1978
	(\$000)	(\$000)
<b>Current assets</b>		
Cash and short-term notes	5,182	7,528
Marketable securities, at cost (market value \$11,575,000; 1978 — \$3,828,000) (Note 11)	7,068	3,653
Accounts receivable	2,267	1,465
Inventories of materials at the lower of cost and net realizable value	787	741
Prepaid expenses	314	188
Deferred income taxes	830	—
	<u>16,448</u>	<u>13,575</u>
<b>Investments</b>		
Long-term receivables (Note 3)	600	1,041
Investments (Note 4)		
— Famous Players Limited	37,496	34,019
— Associated companies	787	838
— Other investments	314	1,647
	<u>39,197</u>	<u>37,545</u>
<b>Fixed assets, at cost (Note 5)</b>	<b>90,738</b>	<b>74,546</b>
Less: Accumulated depreciation and amortization	<u>(45,825)</u>	<u>(39,089)</u>
	<u>44,913</u>	<u>35,457</u>
<b>Excess of carrying value of subsidiaries over value of underlying net assets acquired, less amortization</b>	<b>25,242</b>	<b>25,394</b>
	<u>125,800</u>	<u>111,971</u>



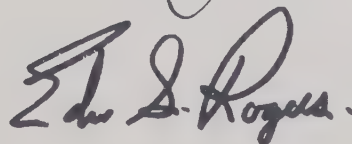
## LIABILITIES AND SHAREHOLDERS' EQUITY

	August 31	
	1979	1978
	(\$000)	(\$000)
<b>Current liabilities</b>		
Bank loan	331	—
Accounts payable and accrued expenses	5,897	3,726
Dividend payable	515	505
Income taxes	—	2,105
Current portion of long-term debt	600	600
Prepayments for services	6,614	5,848
	<u>13,957</u>	<u>12,784</u>
 <b>Long-term debt (Note 6)</b>	 14,723	 11,461
 <b>Deferred income taxes</b>	 6,613	 6,381
 <b>Minority interest</b>	 881	 220
 <b>Shareholders' equity</b>		
Capital stock (Note 7)		
Issued — 8,188,222 shares (1978 — 4,044,991)	30,129	14,250
Share purchase warrants	1,000	1,000
Reorganization surplus	6,235	6,235
Retained earnings	52,262	59,640
	<u>89,626</u>	<u>81,125</u>
	<u>125,800</u>	<u>111,971</u>

Approved by the Board



Director



Director





## Consolidated Statement of Retained Earnings

	1979	1978
	(\$000)	(\$000)
Balance at beginning of year	59,640	50,727
Net earnings for the year	9,830	10,620
	69,470	61,347
Deemed dividend on capitalization of retained earnings (Note 7)	15,169	—
Dividends — New Class A shares — 6¼¢ per share	503	—
— New Class B shares — 8¾¢ per share	12	—
— Old Class A and Class B shares — 37½¢ per share (1978 — 21¼¢ per share)	1,524	1,707
	17,208	1,707
Balance at end of year	52,262	59,640

## Auditors' Report

To the Shareholders of Canadian Cablesystems Limited:

We have examined the consolidated balance sheet of Canadian Cablesystems Limited as at August 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the reports of other auditors who have examined the consolidated financial statements of Famous Players Limited and a subsidiary company.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at August 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles which, except for the effect of the change in the method of accounting for pre-maturity costs referred to in Note 2 to the financial statements, have been applied on a basis consistent with that of the preceding year.

*Pricewaterhouse + Co.*

Toronto, Canada  
December 5, 1979

Chartered Accountants



# Notes To Consolidated Financial Statements

August 31, 1979

## 1. Accounting policies:

### (a) Consolidation —

- (i) The consolidated financial statements include the accounts of the Company and all its subsidiaries.
- (ii) The Company's investments in Famous Players Limited (48.9% owned), Kingston Cable TV Limited (50% owned), and Cablesare Limited (50% voting shares, 72% non-voting shares owned) are accounted for on the equity basis. Accordingly, the Company's equity in the earnings of these companies is included in the consolidated statement of earnings.
- (iii) The Company reports its equity in the earnings of Famous Players Limited on a two-month delay basis. The Company's equity in the earnings of Famous Players Limited is based on earnings for its fiscal year ended June 30.

### (b) Capitalization policy —

Costs incurred directly in connection with the application for new franchises are written off as an expense in the year incurred.

During the development, pre-operating and pre-maturity phases of new systems, all direct costs together with a portion of overhead costs are deferred and amortized. The pre-maturity period ends at the earlier of two years from the time of the first subscriber revenue or the completion of the first phase of construction.

During construction or rebuilding phases of existing systems, only direct costs are capitalized and all interest and overhead costs are expensed in the year incurred.

Leases that transfer substantially all of the benefits and risks of ownership are accounted for by the Company as capital leases. Accordingly, the asset value and related liability are recorded in the financial statements.

### (c) Depreciation —

The cable, plant and other fixed assets are depreciated over their estimated useful lives as follows:

Buildings	— 5% diminishing balance
Towers and head-ends	— 15% straight line
Distribution cable	— 10% straight line
Electronic equipment	— 15% straight line
Subscriber drops and devices	— 10% straight line
Converters	— 33⅓% straight line
Other equipment	— mainly 20% and 30% diminishing balance
Leasehold improvements	— over the term of the lease
Pre-maturity costs	— 10% straight line

### (d) Income and expenses —

Income from cable services includes earned subscriber service revenue and charges for installations and connections. Subscriber service paid in advance is taken into income as earned. The cost of the initial subscriber installation is capitalized as part of the distribution system. Costs of subsequent disconnections and reconnections are expensed.

### (e) Foreign exchange —

The accounts of foreign subsidiary companies have been translated into Canadian dollars on the following basis:

Monetary assets and liabilities at the year end rates of exchange.

Non-monetary assets and depreciation at historical rates.

Revenue and expense items, other than depreciation, at the average rate for the year.

Gains or losses on translation are included in income.



(f) Goodwill —

The excess of cost of shares in subsidiary and associated companies over value of underlying net assets which arose prior to March 31, 1974 is not amortized unless the value is impaired. Goodwill arising subsequent to that date amounting to \$5,756,000 as at August 31, 1979 is being amortized over a 40 year period.

2. Change of accounting policy:

Effective September 1, 1978 the Company changed its method of accounting for pre-maturity costs of new systems to the basis set out in Note 1(b). Previously, such costs were written off in the year incurred. This change had the effect of increasing net earnings for the year ended August 31, 1979 by the amount of \$630,000.

3. Long-term receivables:

	<u>August 31</u>	
	<u>1979</u>	<u>1978</u>
	<u>(\$000)</u>	<u>(\$000)</u>
Receivable under Share Purchase plans, including \$279,000 (1978 — \$600,000) from officers and directors	807	1,072
Miscellaneous notes and loans receivable	32	37
	839	1,109
Less: Current portion included in accounts receivable	239	68
	<u>600</u>	<u>1,041</u>

4. Investments:

(a) Famous Players Limited —

The carrying value of the Company's investment in Famous Players Limited (48.9% owned) is equal to its equity in the net assets of that company as at June 30, 1979.

The audited consolidated financial statements of Famous Players Limited for the year ended June 30, 1979 are set out on Pages 40 to 45 of this report

(b) Associated companies —

The carrying value of the Company's investments in associated companies is equal to their written-up fair values at January 3, 1971 with subsequent additions at cost, plus the Company's equity in undistributed earnings since that date or since acquisition.

The excess of the carrying value of the Company's investment in associated companies over its equity in the value of the underlying net assets amounted to \$355,000 at August 31, 1979.

(c) Other investments —

The carrying value of the Company's other investments is equal to their written-up fair values at January 3, 1971 plus subsequent additions at cost.



## 5. Fixed assets, at cost:

	August 31	
	1979	1978
	(\$000)	(\$000)
Land and buildings	3,487	3,287
Towers and head-ends	2,707	1,969
Distribution cable	27,174	21,850
Electronic equipment	14,352	12,934
Subscriber drops and devices	24,174	22,642
Converters	3,925	3,096
Other equipment	9,637	7,613
Leasehold improvements	1,398	843
Construction in progress	2,142	217
Pre-maturity costs	1,742	95
	90,738	74,546
Less: Accumulated depreciation and amortization	45,825	39,089
	44,913	35,457

The major part of the Company's investment in distribution cable is held under leases from Bell Canada expiring at various dates with original minimum terms of 10 years.

## 6. Long-term debt:

	August 31	
	1979	1978
	(\$000)	(\$000)
Series A 11¾% Sinking Fund Debentures, due March 31, 1996 (i)	11,280	12,000
Bank loan due December 31, 1984 (ii)	3,495	—
Other long-term debt (iii)	548	61
	15,323	12,061
Less: Current portion	600	600
	14,723	11,461

(i) The Series A Debentures are issued by a wholly-owned subsidiary Canadian Cablesystems (Metro) Limited ("Metro"). The Debentures are secured by a floating charge on the undertaking and assets of "Metro" and are guaranteed by Canadian Cablesystems (Ontario) Limited, a subsidiary company in the amount of \$4 million, which guarantee is secured by a floating charge over the assets and undertaking of that company. The Debentures are redeemable at the option of "Metro" and must be retired by sinking fund payments in the amount of \$600,000 annually from March 31, 1980 to 1995 and a final payment of \$1,680,000 on March 31, 1996.

(ii) Syracuse Cablesystems has arranged long-term financing totalling U.S. \$6 million from a consortium of three banks. At August 31, 1979 U.S. \$3 million (\$3,495,000 Canadian) has been drawn down under the agreement. Minimum repayments to be made on a quarterly basis are as follows:

Fiscal 1981	U.S. \$ 500,000
1982	1,250,000
1983	1,500,000
1984	1,750,000
1985	1,000,000



The loans bear interest at New York prime plus 1¼% and, in addition, a standby fee of ¼ of one percent is charged on that portion of the loans not advanced to the Company. The loans are secured on the assets of Syracuse Cablesystems.

- (iii) Included in other long-term debt is the obligation of the Company, in the amount of \$465,000, in respect of a long-term lease expiring in 1994.

## 7. Capital stock and share purchase warrants:

	August 31	
	1979	1978
	(\$000)	(\$000)
(a) Capital stock issued —		
8,188,222 Class A shares	30,129	—
3,699,559 Class A shares (old)	—	13,033
345,432 Class B shares (old)	—	1,217
	<u>30,129</u>	<u>14,250</u>
(b) At a special shareholders' meeting on June 15, 1979, approval was given to a reorganization of the capital of the Company. Under the reorganization, each former Class A and former Class B common share has been redesignated, divided and changed into two Class A shares. Each new Class A share is voting and convertible on a share for share basis up to December 31, 1979 into non-voting new Class B shares. The Class A shares are entitled to receive dividends at the rate of up to 35 cents per share only after dividends of 35 cents per share have been paid on the Class B shares. Thereafter the Class A shares and the Class B shares shall participate equally as to dividends.		
(c) At a special shareholders' meeting, to be held on December 21, 1979, shareholders will be requested to approve a further reorganization of capital of the Company. Under the reorganization, the period to convert the new Class A shares into new Class B shares, on a share for share basis will be extended from December 31, 1979 to December 31, 1980. In addition, under the reorganization, an unlimited number of a new class of shares will be authorized designated as preferred shares. These preferred shares will be without nominal or par value, will be issuable in series and the number of shares issued in each such series and their rights and terms will be fixed by the Directors prior to each issue, except that the rights in respect to dividends or return of capital attached to any series of preferred shares cannot be in priority to those same rights in any other series issued.		
(d) A resolution was approved by the Board of Directors on December 20, 1978, which resulted in a transfer of \$15,169,000 of retained earnings to the paid-up capital of the issued and outstanding Class A shares.		
(e) Share purchase warrants entitling the bearers to purchase 1,237,984 new Class A shares on or before December 31, 1979 are issued and outstanding. Each share purchase warrant entitles the bearer to purchase 2.06 shares at \$12.13 per share, which price is subject to downward adjustment under the antidilution provisions of the Share Purchase Warrant Indenture.		
(f) The Articles of Continuance of the Company under the Canada Business Corporations Act impose restrictions on the transfer, voting and issue of shares in order to ensure the Company remains qualified to hold or obtain any licence pursuant to the Broadcasting Act and any licence required to carry on a cable television or similar undertaking.		
(g) The Company has an Executive Share Purchase/Stock Option Plan. During the year, 49,120 old Class A shares were issued under the Plan for a total consideration of \$710,000, of which \$266,000 was financed by non-interest bearing loans. On December 3, 1979 a further 112,122 Class B shares were offered to certain executives of the Company at a price of \$12.00 per share.		



At August 31, 1979, there were 30,824 new Class A shares subject to issue under the Executive Stock Option Plan at prices from \$6.50 to \$8.88 per share expiring between 1979 and 1983.

There remained 221,226 shares set aside and held for issue under the Plan at August 31, 1979. On December 3, 1979, the Board of Directors of the Company set aside for issue under the plan an additional 100,000 new Class B shares.

**8. Income taxes:**

The provision for income taxes includes a charge of \$40,000 (1978 — a credit of \$12,000) for current income taxes and a charge of \$57,000 (1978 — \$95,000) for deferred income taxes in respect of the Company's equity in earnings of associated cable companies.

**9. Earnings per share for the year:**

The basic earnings per share are computed on the weighted average number of shares outstanding during the year of 8,144,127 (1978 — 8,029,670 shares after share split).

Fully diluted earnings per share have been calculated on the assumption that outstanding warrants and options are converted into capital stock and the proceeds invested at a rate of return of approximately 5.61% after income taxes to yield additional imputed earnings of \$869,000.

The comparative earnings per share amounts have been restated to give effect to the share split occurring in June, 1979.

**10. Segment information:**

Financial information on U.S. operations is as follows:

	Year ended August 31	
	1979	1978
	(\$000)	(\$000)
Revenue	470	—
Net Loss	275	388
Total assets	10,233	1,481

**11. Subsequent events:**

(a) Rogers Cable business —

Effective September 1, 1979, the Company purchased the cable TV, hotel pay TV, and converter rental businesses from corporations controlled by Mr. Edward S. Rogers for a total purchase consideration of \$34,600,000. The Company, which has entered an agreement to manage the businesses acquired from September 1, 1979, has applied to the C.R.T.C. for its approval to the acquisition. The purchase price is payable on the later of January 2, 1980 and the third business day following receipt of approval by the CRTC of the transaction. The required financing is expected to be obtained through bank borrowings.

(b) Premier Cablevision Limited —

The Company has agreed to purchase effective November 23, 1979 approximately 51% of the outstanding common shares of Premier Cablevision Limited from certain of that company's shareholders.

The purchase price is \$25.00 cash per share, or at the option of the selling shareholders, one 8% preferred share of the Company, cumulative redeemable and retractable (at the option of the holder) at \$25.00 per share (Note 7(c)), or one and one half non-voting Class B shares of the Company (Note 7(b)) representing a total purchase price at \$25.00 of approximately \$42,500,000.

The purchase is subject to the approval of the C.R.T.C. If approved, the Company will make a similar offer to all other shareholders of Premier Cablevision Limited at an additional cost of up to \$30,400,000.

The Company plans to finance the cash portion of the purchase with bank loans from Canadian chartered banks.



The Company will pay a fee to the shareholders controlling approximately 51% of the shares, not contingent on C.R.T.C. approval, as compensation for their inability to dispose of their shares pending the C.R.T.C. decision and for their efforts and expenses in connection with the C.R.T.C. application. Such fees will be equal to the prime bank rate on the purchase price payable for the Premier shares to the date of closing less dividends received by the selling shareholders on such shares.

As part of the Purchase Agreement the Company has agreed to set aside 85,000 Class B shares for issue, at \$13 per share, for issue on the tenth business day following the approval by the C.R.T.C. to senior management of Premier in accordance with the Company's Stock Purchase Plan. The share issue will be financed by the Company which will make available to management non interest bearing loans in the amount of \$1,105,000.

Subsequent to August 31, 1979 the Company has independently acquired an additional 14% of the outstanding shares of Premier at a total cost of \$8,284,000. If the C.R.T.C. approves the purchase of Premier, the Company is obliged to pay an additional \$1,750,000 to one of the selling shareholders from whom these shares were purchased.

(c) Minneapolis Cablesystems —

Minneapolis Cablesystems Inc., a wholly-owned subsidiary, holds as general partner a two-thirds interest in Minneapolis Cablesystems, a limited partnership which has filed an application for a franchise with the City of Minneapolis to construct and operate a cable and pay television system in the City. Local Minneapolis investors own the remaining one-third of Minneapolis Cablesystems.

In the event the franchise is awarded, the estimated cost of building the system is U.S. \$22 million, which amount would be financed partly by equity (U.S. \$3.6 million to be invested by Minneapolis Cablesystems Inc. and U.S. \$1.8 million by the local investors) and partly by bank financing.

(d) Other projects —

Subsequent to the year end the Company entered a partnership with Dickinson Communications Ltd. to build cable systems in the California cities of Westminster, Huntington Beach and Fountain Valley. Franchises were originally granted to Dickinson Communications Ltd. in 1976 but as at August 31, 1979 the systems had not been built.

The estimated cost to the partnership, in which each party has a 50 per cent interest, of building the systems is U.S. \$17.5 million which will be funded by U.S. \$3 million of equity, to be provided in equal portions by each of the parties, and by bank financing.

(e) Tele-Capital Ltd. —

Included in marketable securities in 1979, at a carrying value of \$1,538,000, is the Company's investment in Tele-Capital Ltd. In September 1979 this investment was disposed of for cash proceeds of \$6,049,000.

**12. Lease commitments:**

Minimum commitments under agreements and leases for the rental of premises, distribution lines and microwave amount to approximately \$1,917,000 per annum as at August 31, 1979. Rental expense for the year ended August 31, 1979 amounted to \$1,437,000 (1978 — \$1,466,000).

**13. Contingent liabilities:**

Under the reorganization effective January 3, 1971 Famous Players Limited assumed liability under all leases pertaining to the theatre business, and provided the Company with a formal indemnity against any loss in this regard. While the Company has been released from its obligations under some of these leases, there are still many lease commitments under which it remains contingently liable. The Company's management, however, believes that the Company will incur no liability under these outstanding lease commitments.



## System Management

### Canadian Cablesystems Limited

49%	<b>Famous Players Limited</b> , theatre/real estate (non-operating investment)	
100%	<b>TWC Television</b> , hotel pay television Toronto	Stephen Merritt
50%	<b>Cableshare Limited</b> , data processing (joint venture)	Terry H. Pocock
20%	<b>Alberni Cable Television Limited</b> , cable (non-operating investment)	

### Canadian Cablesystems (Metro) Limited

100%	<b>Rogers Cable TV Division</b> , serving Central Metropolitan Toronto and parts of Etobicoke and Mississauga	William R. Rogers
100%	<b>Community Antenna Television Ltd.</b> , serving Southern Calgary, Alberta	Jack E. Davis
100%	<b>Hamilton Co-Axial Division</b> , serving East Hamilton and part of Burlington	Lee Martini

### Canadian Cablesystems (Ontario) Limited

100%	<b>Cablesystems Engineering Division</b>	Nicholas F. Hamilton-Piercy
100%	<b>Grand River Cable TV Division</b> , serving Kitchener, Waterloo, Cambridge, Stratford and neighbouring communities	Frank L. Eberdt
100%	<b>London Cable TV Division</b> , serving North, Central and East London and neighbouring communities	Donald A. MacAlpine
100%	<b>Rogers Cable TV, Brampton</b> , serving Brampton and Bramalea	David Edwards
100%	<b>Pine Ridge Cable TV Division</b> , serving Oshawa, Whitby, Bowmanville and environs	Lorne F. McFadden
100%	<b>Jarmain Cable TV-Brantford Division</b> , serving Brantford, Paris and environs	James Scott Pro Tem Manager
100%	<b>Cornwall Cablevision Divison</b> , serving Cornwall	Andre Cammaert
100%	<b>Chatham Cable TV Limited</b> , serving Chatham	S. George Richards
100%	<b>Jarmain Cable TV-Newmarket Division</b> , serving Newmarket, Bradford, Holland Landing and environs	Mary L. Blackwell
50%	<b>Kingston Cable TV Limited</b> , serving Kingston and environs	T.W. Ross Dryden
100%	<b>Essex Cable TV</b> , serving Leamington and environs	Arthur Gadd

### U.S. Cablesystems Inc.

67%	<b>Syracuse Cablesystems</b> , serving Syracuse, New York	Robert B. Clasen
50%	<b>Dickinson Pacific Cablesystems, California</b> , to be constructed in Huntington Beach, California	James A. Yardy





## Consolidated Balance Sheets

### ASSETS

	June 30	
	1979	1978
	(\$000)	(\$000)
<b>Current assets:</b>		
Cash and deposit receipts	\$ 1,113	\$ 3,150
Accounts receivable, including current portion of mortgages receivable, and net of allowance for doubtful accounts	2,162	2,398
Due from affiliated companies	989	737
Inventories, at the lower of cost or net realizable value	2,731	2,452
Prepaid expenses and other current assets	9,833	6,155
Total current assets	16,828	14,892
<b>Fixed assets (Notes A and D):</b>		
Land and buildings	99,286	95,639
Equipment and leaseholds	55,486	53,534
Construction in progress	1,619	436
	156,391	149,609
Accumulated depreciation and amortization	(54,436)	(49,944)
Net fixed assets	101,955	99,665
<b>Other assets:</b>		
Investments in associated companies and joint enterprises	7,388	6,617
Notes and mortgages receivable, due after one year (Note B)	4,439	5,691
Excess of cost of subsidiaries over their underlying book value	1,499	1,499
Total other assets	13,326	13,807
	<u>\$132,109</u>	<u>\$128,364</u>

See accompanying notes to consolidated financial statements.



## LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30	
	1979	1978
	(\$000)	(\$000)
<b>Current liabilities:</b>		
Bank indebtedness	\$ 2,722	\$ —
Accounts payable	9,007	7,816
Due to affiliated companies	1,827	1,635
Dividend payable	—	404
Current portion of long term debt	2,221	2,348
Income taxes payable	4,447	2,729
Accrued expenses and other current liabilities	4,720	4,374
Total current liabilities	24,944	19,306
<b>Non-current liabilities:</b>		
Long term debt, less current portion (Note C)	18,779	30,125
Deferred income taxes	7,015	5,328
Other non-current liabilities	4,427	3,757
Total non-current liabilities	30,221	39,210
<b>Minority interest</b>	189	210
<b>Shareholders' equity:</b>		
Capital stock —		
Common shares, no par value		
Authorized — 10,000,000 shares		
Issued — 7,178,288 shares	32,934	32,934
Contributed capital	6,635	6,635
Retained earnings	37,186	30,069
Total shareholders' equity	76,755	69,638
	<u>\$132,109</u>	<u>\$128,364</u>

Approved on behalf of the Board:

Director  
 Director





## Consolidated Statements of Earnings

	Years Ended June 30	
	1979	1978
	(\$000)	(\$000)
<b>Revenue:</b>		
Theatre operations	\$130,880	\$113,124
Property rental and hotel operations	9,199	9,029
	<u>140,079</u>	<u>122,153</u>
<b>Costs and operating expenses:</b>		
Theatre operations	108,552	97,690
Property rental and hotel operations	7,334	8,970
Corporate expenses	6,863	6,456
	<u>122,749</u>	<u>113,116</u>
	17,330	9,037
Other operating income — net	1,602	1,841
Equity in earnings before income taxes of associated companies and joint enterprises	<u>475</u>	<u>743</u>
Operating income	19,407	11,621
Gain on sale of property (Note E)	1,245	5,373
Other non-operating expense	(59)	(322)
Interest expense, net of interest income	<u>(717)</u>	<u>(2,423)</u>
Earnings before income taxes	19,876	14,249
<b>Provision for income tax expense:</b>		
Current	6,295	3,969
Deferred	1,687	458
On equity earnings	<u>439</u>	<u>252</u>
	<u>8,421</u>	<u>4,679</u>
Net earnings before minority interest	11,455	9,570
Minority interest in net earnings of subsidiaries	<u>228</u>	<u>116</u>
Net earnings	<u>\$ 11,227</u>	<u>\$ 9,454</u>

Certain 1978 amounts have been reclassified to conform with current classification.

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Retained Earnings

	Years Ended June 30	
	1979	1978
	(\$000)	(\$000)
Retained earnings, at beginning of year	\$30,069	\$21,423
Net earnings for the year	<u>11,227</u>	<u>9,454</u>
	41,296	30,877
Dividends declared	<u>4,110</u>	<u>808</u>
Retained earnings, at end of year	<u>\$37,186</u>	<u>\$30,069</u>

See accompanying notes to consolidated financial statements.



# Consolidated Statements of Sources and Uses of Cash

	Years Ended June 30	
	1979	1978
	(\$000)	(\$000)
<b>Sources of cash:</b>		
Operations —		
Net earnings	\$11,227	\$ 9,454
Add (deduct) non-cash items —		
Depreciation and amortization of fixed assets	5,198	5,179
Deferred income taxes	1,687	458
Minority interest in net earnings of subsidiaries	228	116
Share of net earnings of associated companies	(499)	(1,275)
Non-operating expense	59	322
	<u>17,900</u>	<u>14,254</u>
Dividends received from associated companies	336	5,639
	<u>18,236</u>	<u>19,893</u>
Total cash from operations		
Increase in bank and other indebtedness	6,395	343
Disposal of investment in associated companies	61	273
Book value of property and other fixed assets sold	290	11,256
Instalments on mortgages	2,193	1,254
	<u>27,175</u>	<u>33,019</u>
Total sources of cash		
<b>Uses of cash:</b>		
Repayment of bank indebtedness	\$ —	\$ 4,982
Expenditures for fixed assets	7,778	3,251
Repayment of long term debt	15,361	13,162
Investments in associated companies and joint enterprises	77	356
Advances to associated companies — net	943	1,547
Payment to minority shareholders	249	109
Additions to mortgages receivable	708	4,174
Payment of dividends	4,514	6,028
Reduction in net payables to affiliated companies	61	1,769
Net change in other assets and liabilities	(479)	(4,954)
	<u>29,212</u>	<u>30,424</u>
Total uses of cash		
Increase (decrease) in cash	\$ (2,037)	\$ 2,595
Opening cash balance	3,150	555
	<u>1,113</u>	<u>3,150</u>
Closing cash balance		

See accompanying notes to consolidated financial statements.

## Auditors' Report

### To the Shareholders, Famous Players Limited.

We have examined the consolidated balance sheets of Famous Players Limited and its subsidiaries as at June 30, 1979 and June 30, 1978 and the related consolidated statements of earnings, retained earnings and sources and uses of cash for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Famous Players Limited and its subsidiaries at June 30, 1979 and June 30, 1978 and the consolidated results of their operations and consolidated sources of their cash for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

*Ernst & Whinney*

August 24, 1979.

Chartered Accountants





## Notes To Consolidated Financial Statements

June 30, 1979 and June 30, 1978

### Note A Significant accounting policies:

- (i) Principles of consolidation — The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Investments in associated companies and unincorporated joint enterprises (20% to 50% owned) are recorded on the equity basis of accounting. The equity in earnings before income taxes of these entities is included in operating income and related income taxes of these companies is included in the provision for income taxes.
- (ii) Fixed assets — Fixed assets are primarily carried at cost. For buildings that the Company constructs and operates, costs include interest, property taxes, legal fees and other related carrying charges during the construction period; in the case of real estate rental buildings, cost also includes operating costs and revenues during the initial leasing periods. Betterments and renewals are capitalized, unless they do not add to, or restore, the useful life of the property. Expenditures for maintenance and repairs are expensed as incurred.
- (iii) Depreciation and amortization of fixed assets — Depreciation on buildings is recorded on a straight-line basis over the estimated useful lives of the buildings, except real estate rental buildings which are depreciated on a 5% sinking fund method based on their estimated useful lives. Depreciation on equipment is recorded on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized in equal instalments over the terms of the leases. Depreciation of property and equipment amounted to \$5,198,000 for the year ended June 30, 1979 (1978 — \$5,179,000).
- (iv) Income taxes — Provision for income taxes includes deferred taxes, which represent future tax effects of items reported for income tax purposes in periods different from when reported in the financial statements.

### Note B Notes and mortgages receivable:

	1979 (\$000)	1978 (\$000)
Notes and first mortgages, receivable in instalments from 1980 to 1986, with interest rates from 6% to bank prime plus 1%	\$5,422	\$6,907
Less current portion	<u>983</u>	<u>1,216</u>
	<u>\$4,439</u>	<u>\$5,691</u>
The above principal matures as follows:		
Year ending June 30, 1981	\$ 484	
Year ending June 30, 1982	3,245	
Year ending June 30, 1983	114	
Year ending June 30, 1984	215	
Five years and beyond	<u>381</u>	
	<u>\$4,439</u>	

### Note C Long term debt:

	1979 (\$000)	1978 (\$000)
Mortgages payable in instalments 1980 to 2002; secured by land and buildings, with interest rates from 8% to 9%	\$ 8,419	\$ 8,572
Bank loans, unsecured, payable in instalments with interest rates at bank prime to bank prime plus 1¼%	12,226	23,514
Other notes payable; unsecured, with interest rates from nil to 4%	<u>355</u>	<u>387</u>
	21,000	32,473
Less current portion	<u>2,221</u>	<u>2,348</u>
	<u>\$18,779</u>	<u>\$30,125</u>
The above principal matures as follows:		
Year ending June 30, 1981	\$ 1,634	
Year ending June 30, 1982	1,529	
Year ending June 30, 1983	979	
Year ending June 30, 1984	207	
Five years and beyond	<u>14,430</u>	
	<u>\$18,779</u>	



Interest on long term debt amounted to \$2,436,000 for the year ended June 30, 1979 (1978 — \$3,606,000) of which \$30,000 was capitalized in construction in progress (1978 — nil).

**Note D Commitments and contingent liabilities:**

At June 30, 1979 the Company has commitments under leases for theatre and other premises, and equipment, extending for periods up to the year 2060 (excluding renewal option terms). Certain leases also require the lessee to pay property taxes and expenses related to the property. Certain leases provide for additional payments based upon a percentage of revenues of the theatres. Aggregate minimum rental obligations under leases amount to \$65,504,000. Minimum annual rental payments required in each of the following five years ending June 30, are:

1980	\$4,386,000
1981	\$3,968,000
1982	\$3,752,000
1983	\$3,659,000
1984	\$3,615,000

Rental expense for the year ended June 30, 1979 amounted to \$6,306,000 (1978 — \$5,959,000).

At June 30, 1979, the Company has outstanding commitments amounting to \$993,000 in connection with capital expenditures.

At June 30, 1979, the Company has guaranteed obligations to a maximum of \$31,174,000 of certain associated companies (20% to 50% owned). At June 30, 1979 the actual amount outstanding was \$20,617,000.

Subsequent to June 30, 1979 a 75% owned subsidiary has entered into negotiations to arrange a \$US 9,500,000 loan.

The unfunded liability for past service obligations of the Company's pension plan has been estimated by independent actuaries at approximately \$2,750,000 at June 30, 1979. This liability is being funded through 1988, with corresponding charges to earnings.

**Note E Gain on sale of property:**

Gain on sale of property includes the Company's equity share of earnings of associated companies arising from sales of property. For 1979 this amounted to \$463,000 (1978 — \$784,000).

**Note F Remuneration of directors and officers:**

	<u>1979</u>	<u>1978</u>
Remuneration:		
Remuneration of directors as directors	\$ 13,000	\$ 15,000
Remuneration of officers as officers	\$796,000	\$748,000
Other information:		
Number of directors	10	10
Number of officers	14	17
Number of officers who are also directors	2	2

**The directors and officers receive no remuneration from the Company's subsidiaries.**



# Quarterly Information†

## REVENUES AND EARNINGS

	First Quarter Ended Nov. 30		Second Quarter Ended Feb. 28	
(\$000 Except Per Share Amounts)	1979	1978	1979	1978
Revenues — cable operations	9,575	8,725	9,706	8,848
Net Profit — cable operations, investment and other equity income	1,640	1,562	1,449	1,408
Equity in the earning of Famous Players theatres and rental properties	1,923	699	916	256
gain on sale of real estate	240	249	120	1,497
Provision for losses of Tel-Pro Entertainments Inc.	(70)	—	(395)	—
Total Net Profit (before extraordinary item)	3,733	2,510	2,090	3,161
Earnings per share*				
cable, investment and other equity income	20.0¢	19.5¢	17.7¢	17.5¢
theatre and rental properties	23.5¢	9.0¢	11.2¢	3.0¢
gain on sale of real estate	2.9¢	3.0¢	1.5¢	19.0¢
losses Tel-Pro	(.9¢)	—	(4.8¢)	—
Total (before extraordinary item)	45.5¢	31.5¢	25.6¢	39.5¢

	Third Quarter Ended May 31		Fourth Quarter Ended Aug. 31	
(\$000 Except Per Share Amounts)	1979	1978	1979	1978
Revenues — cable operations	10,040	9,096	10,394	9,091
Net Profit — cable operations, investment and other equity income	1,392	1,612	323	691
Equity in the earning of Famous Players theatres and rental properties	1,079	972	873	406
gain on sale of real estate.	241	95	92	444
Provision for losses of Tel-Pro Entertainments Inc.	—	—	7	—
Total Net Profit (before extraordinary item)	2,712	2,679	1,295	1,541
Earnings per share*				
cable, investment and other equity income	17.0¢	20.0¢	3.9¢	8.5¢
theatre and rental properties	13.2¢	12.0¢	10.6¢	5.0¢
gain on sale of real estate	3.0¢	1.0¢	1.1¢	5.5¢
losses Tel-Pro	—	—	.1¢	—
Total (before extraordinary item)	33.2¢	33.0¢	15.7¢	19.0¢

## SHARE PRICE\*

	Fiscal 1979		Fiscal 1978	
	High	Low	High	Low
First Quarter	\$ 9¼	\$ 8	\$ 7½	\$ 6¼
Second Quarter	10¼	7⅞	7½	6
Third Quarter	10⅞	9½	8½	6⅞
Fourth Quarter	12	10½	9½	8⅞

## DIVIDENDS PER SHARE\*

	Fiscal 1979	Fiscal 1978
First Quarter	6.25¢	4.75¢
Second Quarter	6.25¢	4.75¢
Third Quarter	6.25¢	5.5¢
Fourth Quarter	6.25¢	6.25¢

†1979 results adjusted for change in accounting policy.

\*After adjusting retroactively for share reorganization.



# Subscriber Growth Statistics 1971-1979

## 1. Households passed by cable    2. Subscribers    3. % Penetration

		1971	1972	1973	1974	1975	1976	1977	1978	1979
Rogers Cable TV (includes Metro Cable; and Rogers Cable acquired Sept. 1, 1979)	1.	293,427	322,722	335,749	358,996	359,561	367,499	367,449	390,881	407,600
	2.	104,932	140,103	186,690	262,943	279,535	292,195	293,154	306,484	320,877
	3.	35.8	43.4	55.6	73.2	77.7	79.5	79.8	78.4	78.7
Grand River Cable TV	1.	85,478	91,970	97,334	101,288	106,932	103,401	107,020	111,301	114,201
	2.	51,948	61,239	70,041	77,576	82,113	85,253	80,869	84,609	90,172
	3.	60.8	66.6	72.0	76.6	76.8	82.4	75.6	76.0	79.0
London Cable TV	1.	50,700	52,615	56,520	58,902	59,828	63,008	64,314	65,998	68,911
	2.	41,856	45,208	50,026	52,552	54,396	56,482	58,085	59,355	61,778
	3.	82.6	85.9	88.5	89.2	90.9	89.6	90.3	89.9	89.6
Community Antenna Television Ltd. (acquired July 29, 1977)	1.	—	54,774	55,967	71,525	74,113	75,783	80,478	84,738	88,495
	2.	—	11,989	22,505	33,616	41,116	44,738	48,663	52,248	57,786
	3.	—	21.9	40.2	47.0	55.5	59.0	60.5	61.7	65.3
Hamilton Co-Axial	1.	40,275	40,405	40,638	41,000	41,000	41,667	42,607	43,102	43,205
	2.	20,839	25,111	29,624	32,755	33,696	34,564	35,336	35,584	36,152
	3.	51.7	62.1	72.9	79.9	82.2	83.0	82.9	82.6	83.7
Rogers Cable TV - Brampton (acquired Sept. 1, 1979)	1.	17,399	18,443	21,225	26,454	28,985	31,343	33,690	39,128	45,782
	2.	7,886	10,546	14,330	19,446	23,369	26,554	29,064	33,017	35,253
	3.	45.3	57.2	67.5	73.5	80.6	84.7	86.3	84.4	73.5
Pine Ridge Cable TV	1.	26,180	28,161	35,541	38,135	41,703	44,510	44,834	47,748	50,067
	2.	12,319	13,739	18,474	22,703	24,674	26,223	28,626	31,644	33,578
	3.	47.1	48.8	52.0	59.5	59.2	58.9	63.8	66.3	67.1
Jarmain Cable TV — Brantford	1.	21,416	22,872	23,790	24,569	25,469	25,969	26,707	27,701	28,737
	2.	13,451	15,270	16,680	18,610	19,798	20,487	21,657	22,816	23,702
	3.	62.8	66.8	70.1	75.7	77.7	78.9	81.1	82.4	82.5
Cornwall Cablevision	1.	12,500	12,500	13,300	14,489	14,537	15,600	16,659	17,481	17,581
	2.	9,619	10,680	11,776	12,549	13,119	13,807	14,750	15,997	16,569
	3.	77.0	85.4	88.5	86.0	90.2	88.5	88.5	91.5	94.2
Chatham Cable TV Limited	1.	10,500	11,016	11,756	12,668	13,238	13,593	14,188	14,607	14,985
	2.	4,962	6,065	7,319	8,581	9,287	9,625	10,007	10,519	10,848
	3.	47.3	55.1	62.3	67.7	70.2	70.8	70.5	72.0	72.4
Jarmain Cable TV Newmarket	1.	6,008	6,671	6,937	7,906	8,768	9,405	9,813	10,659	12,007
	2.	4,581	5,430	6,072	7,038	7,737	8,463	9,114	9,820	10,712
	3.	76.2	81.4	87.5	89.0	88.2	90.0	92.9	92.1	89.2
Burlington Cable TV	1.					6,000	6,400	7,000	7,000	7,400
	2.	Included in Rogers Cable until 1975				4,160	4,318	4,625	5,527	6,009
	3.					69.3	67.5	66.1	79.0	81.2
Essex Cable TV, Leamington (acquired Sept. 1, 1979)	1.	2,500	3,000	3,500	4,000	4,696	5,710	5,887	6,024	6,900
	2.	1,257	1,444	1,887	2,030	2,086	2,220	2,325	2,525	2,662
	3.	50.3	48.1	53.9	50.8	44.4	38.9	39.5	41.9	38.6
Kingston Cable TV Limited (50% owned)	1.	—	—	—	13,000	24,300	28,100	29,918	32,661	33,070
	2.	—	—	—	2,737	9,961	14,887	16,902	20,472	22,947
	3.	—	—	—	21.1	41.0	53.0	56.5	62.7	69.4
Syracuse Cablesystems (67% owned)	1.	—	—	—	—	—	—	—	—	31,540
	2.	—	—	—	—	—	—	—	—	10,320
	3.	—	—	—	—	—	—	—	—	32.7
Total All Systems	1.	566,383	665,149	702,257	772,932	809,130	831,988	850,564	899,029	970,481
	2.	273,650	346,824	435,424	553,136	605,047	639,816	653,177	690,617	739,365
	3.	48.3	52.1	62.0	71.6	74.8	76.9	76.8	76.8	76.2
Canadian Cablesystems equity In Total	1.	566,383	665,149	702,257	766,432	796,980	817,938	835,605	882,698	943,432
	2.	273,650	346,824	435,424	551,767	600,066	632,372	644,726	680,381	724,451
	3.	48.3	52.1	62.0	72.0	75.3	77.3	77.2	77.1	76.8



## Directors and Corporate Management

### Corporate Officers

John W. Graham, Q.C.  
Chairman

Edward S. Rogers  
Vice-Chairman &  
Chief Executive Officer

Colin D. Watson  
President

Robert M. Francis  
Senior Vice-President, Finance

Philip B. Lind  
Senior Vice-President,  
Programming & Planning

Barry A. Ross  
Senior Vice-President, Corporate

David E. Friesen  
Vice-President, Canadian Operations

Nicholas F. Hamilton-Piercy,  
Vice-President,  
Engineering & Technical Services

Graham W. Savage  
Vice-President, Investment Planning

Robert B. Clasen  
Vice-President, Operations — U.S.

C. Lynn Wickwire  
Vice-President, Development — U.S.

William A. Scarrow  
Treasurer

Albert Gnat  
Secretary

Daphne Evans  
Assistant Secretary

### Directors

Donald S. Anderson  
Chairman  
Canada Realities  
Toronto, Ontario

Donald L. Angus,  
President  
H.H. Angus & Associates Limited  
Toronto, Ontario

John B. Cronyn  
Director and Consultant  
John Labatt Limited  
London, Ontario

Jack E. Davis  
President  
Community Antenna Television Ltd.  
Calgary, Alberta

Claude Ducharme, Q.C.  
Partner  
Desjardins, Ducharme,  
Desjardins & Bourque  
Montreal, Quebec

Robert M. Francis  
Senior Vice-President, Finance  
Canadian Cablesystems Limited  
Toronto, Ontario

John W. Graham, Q.C.  
Partner

Cassels, Brock  
Toronto, Ontario

Gordon C. Gray, F.C.A.  
Chairman & Chief Executive Officer  
A.E. LePage Limited  
Toronto, Ontario

Arnold J. Groleau, F.E.I.C.  
Retired, formerly Executive  
Vice-President of Bell Canada  
Montreal, Quebec

Thomas I. Hull  
President  
Thomas I. Hull Insurance Limited  
Toronto, Ontario

Peter S. Hyndman, M.L.A.  
Partner  
Fraser, Hyndman  
Vancouver, British Columbia

Edwin R. Jarman,  
President  
London Cable TV  
London, Ontario

Philip B. Lind  
Senior Vice-President,  
Programming & Planning  
Canadian Cablesystems Limited  
Toronto, Ontario

William D. McGregor  
President  
Central Ontario Television Limited  
Kitchener, Ontario

Edward S. Rogers  
Vice-Chairman &  
Chief Executive Officer  
Canadian Cablesystems Limited  
Toronto, Ontario

Loretta A. Rogers  
Company Director  
Canadian Cablesystems Limited  
Toronto, Ontario

Robert Smith  
Chairman & President  
Talcop Associates Limited  
Toronto, Ontario

The Hon. Richard J. Stanbury, Q.C.  
Partner  
Cassels, Brock  
Toronto, Ontario

John A. Tory, Q.C.  
President  
The Thomson Corporation Limited  
Toronto, Ontario

Colin D. Watson  
President  
Canadian Cablesystems Limited  
Toronto, Ontario

W. David Wilson  
Vice-President & Director  
McLeod, Young, Weir Limited  
Vancouver, British Columbia



## **Corporate Information**

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### **EXCHANGE LISTINGS**

Toronto Stock Exchange  
The Montreal Stock Exchange

### **STOCK EXCHANGE SYMBOLS**

CAB·A  
CAB·B

### **TRANSFER AGENT**

Montreal Trust Company

### **BANKERS**

Toronto-Dominion Bank  
Canadian Imperial Bank of  
Commerce

### **AUDITORS**

Price Waterhouse & Co.





canadian  
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